Calendar No. 862

97TH CONGRESS, 2d Session | SENATE | REPORT No. 97-591

EXTENSION OF THE ECONOMIC EMERGENCY LOAN PROGRAM AND DEFERRAL OF FARM LOANS FROM THE FARMERS HOME ADMINISTRATION

SEPTEMBER 27 (legislative day, SEPTEMBER 8), 1982.—Ordered to be printed

Mr. HUDDLESTON, from the Committee on Agriculture, Nutrition, and Forestry, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 2960]

The Committee on Agriculture, Nutrition, and Forestry, reports an original bill (S. 2960) to extend the economic emergency loan program for farmers and provide for loan deferrals for borrowers of farm loans from the Farmers Home Administration, and for other purposes, and recommends that the bill do pass.

SHORT EXPLANATION

The bill would—

(1) extend the economic emergency loan program for farmers for 1 year, to September 30, 1983, and revise the program to—

(a) require the Secretary of Agriculture to make loans to eligible farmers under the program;

(b) lower—from $400,000 to $200,000—the maximum amount of loan principal that a farmer may have outstanding under the program at any one time; and

(c) lower—from $650,000 to $450,000—the total maximum amount of loan principal that a farmer may have outstanding at any one time under the economic emergen-

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cy loan program and the Farmers Home Administration farm real estate and operating loan programs;

(2) during the period beginning on the date of enactment of the bill and ending September 30, 1983, require the Secretary to (a) permit family farmers with economic emergency loans or farm loans under the Consolidated Farm and Rural Development Act, on request, to defer repayment of such loans, and (b) forego foreclosure of such loans, if the borrower can show that he is temporarily unable to continue making payments on the loan due to circumstances beyond his control;

(3) require the Secretary, after the deferral period for any such loan ends, to make available to the borrower consolidation, rescheduling, or reamortization of the loan (at an interest rate not in excess of the interest rate on the original loan);

(4) require the Secretary to promulgate regulations that provide for—

(a) notification of all farm borrowers of the Secretary's authority to defer repayment of loans or take similar steps to assist the borrower;

(b) clear procedures by which borrowers may petition the Secretary for such assistance; and

(c) appeal within the Department of Agriculture from decisions that deny such assistance; and

(5) establish that, for any farm loan deferred, consolidated, rescheduled, or reamortized by the Secretary under authorities provided in the Consolidated Farm and Rural Development Act (other than those contained in the bill), the interest rate for the remaining balance and term of the original loan cannot exceed the rate of interest on the original loan.

Background and Need for Legislation

Economic emergency loan program

The economic emergency loan program, administered by the Farmers Home Administration, was established under the Emergency Agricultural Credit Adjustment Act of 1978. The program provides for credit assistance to farmers, ranchers, and aquaculture operators. These loans may be used to pay any essential farm and home operating expense and installments on principal and interest on chattel and real estate debts as well as refinancing indebtedness. Other uses for these funds include reorganizing farm operations, repairs, improvements, and construction.

Under the economic emergency loan program, the Secretary may make insured or guaranteed loans to qualified farmers who cannot get credit elsewhere due to economic stresses, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities. The loans bear an interest rate that reflects the cost of money to the Government.

Economic emergency loans were authorized in August 1978 because of the tight credit situation affecting a large portion of the agricultural sector. The program was established to allow farmers and ranchers to continue their operations during a period of tempo-

rary economic hardship. The initial authorization for the program continued until 1980 when Congress provided a 1-year extension. The program was extended until September 30, 1982, by authorization contained in the Agriculture and Food Act of 1981. That Act provided discretionary authority to the Secretary of Agriculture to make loans under this program provided that obligations did not exceed $600,000,000 during any fiscal year.

The Secretary has not exercised the authority granted in the extension since he believes that funds available under the regular farm operating loan program are adequate to meet credit needs of farmers. (As of August 31, 1981, $175,407,000 remained to be obligated out of a total authorization of $1.325 billion under this program for fiscal 1982.)

Authorization for obligation of funds under the economic emergency loan program will expire on September 30, 1982, without congressional action to provide for an extension. In view of the current economic situation, the Committee believes that a further 1-year extension of the program is appropriate.

A further extension of this program designed to assist farm borrowers during a temporary period of tight credit would provide increased operating funds to many borrowers, including those who may currently have reached the ceiling on insured FmHA operating loans to one borrower ($100,000). The Committee believes that the Secretary should have appropriate authority to assist farmers through this difficult period.

The Committee bill also reduces the financing that may be made available to individual applicants under the economic emergency loan program from a total of $400,000 to $200,000 and reduces the total amount of loans that may be outstanding to any borrower under the regular operating and real estate loan programs of the Farmers Home Administration and the economic emergency loan program from $650,000 to $450,000. This will ensure availability to the program to a greater number of applicants and direct the primary focus to the small farmer. These new provisions would not affect the status of existing loans.

DEFERRALS

The Secretary of Agriculture presently has broad authority, granted under section 331A of the Consolidated Farm and Rural Development Act, to permit the deferral of principal and interest and forego foreclosure of farm loans made by the Farmers Home Administration. Due to the difficulties experienced by farm borrowers over the past several years, the Secretary has used this authority on a case-by-case basis to ensure that the Farmers Home Administration has the maximum flexibility to deal with the wide range of problems confronting its borrowers.

To fully protect farmers who cannot meet payments on FmHA loans, the Committee believes that, under certain specific circumstances, the deferral authority granted to the Secretary should be made mandatory during the next fiscal year. The problems our agricultural community has experienced over the past several years of low commodity prices and high interest rates have contributed to a high delinquency rate among FmHA borrowers. As of June 30,

1982, 28 percent of all farm borrowers were at least $10 and 15 days behind (FmHA definition of delinquent) in their payments as compared to 20 percent on the same date in 1981.

The Committee bill, in requiring the Secretary to grant deferrals and to forego foreclosures, establishes the following criteria for eligibility: In both cases, the borrower must be the owner or operator of a family-size farm and must show that he (1) has exercised good management practices, (2) due to circumstances beyond the borrower's control, is temporarily unable to continue making payments on the principal and interest of the loan when due, and (3) has a reasonab.e chance of repayment of the loan after the deferral of principal and interest and foregoing of foreclosure. The Committee bill also would require that the interest that accrues during the deferral period bear no interest. Under the Committee bill, the Secretary would apply these criteria on a case-by-case basis.

These provisions would provide relief to those borrowers who could not maintain their operations without this special assistance and could, in most cases, be able to continue in a strengthened position after the deferral.

Further assistance would be granted to the borrower after the deferral by making available procedures to consolidate, reschedule, or reamortize the loan taking into account the borrower's financial situation. Any new loan resulting from such action would bear an interest rate not higher than the original rate of interest. Also, the Secretary must establish clear procedures to implement the deferral provisions and to notify all borrowers of these and other servicing alternatives. Appeal procedures within the Department of Agriculture must be provided to those denied relief.

The Committee established the criteria set forth in the bill to provide that all borrowers have a reasonable opportunity to establish financially sound operations without facing eminent jeopardy of foreclosure. With this temporary deferral, many farmers now in difficulty will be able to continue their farming operations until economic recovery is achieved.

Committee Consideration

The Committee met on September 15, 1982, at which time Senator Huddleston offered for the Committee's consideration a proposal to extend the economic emergency loan program and to provide loan deferrals for borrowers of farm loans from the Farmers Home Administration.

Senator Huddleston stated that legislation was needed to provide assistance to hard-pressed FmHA borrowers. Without congressional action, the economic emergency loan program will expire on September 30. He stressed the need to reauthorize this program along with language to mandate that loans be made since the Secretary has not used his discretionary authority to implement the economic emergency loan program during this fiscal year.

Senator Huddleston described the provision to provide for deferrals of principal and interest on FmHA loans as a proposal to provide a moderate amount of assistance to farmers who are experiencing severe economic distress because of low commodity prices

and high interest rates. He stressed that this was not a moratorium bill, but a proposition to keep farmers in business.

Chairman Helms asked for the views of the Administration. Mrs. Ruth Reister, Deputy Under Secretary of Agriculture for Small Community and Rural Development, stated that the Administration was strongly opposed to both of the proposals contained in the bill. She stated that in their opinion economic emergency loans were not needed since adequate credit was available from other sources, specifically the FmHA farm operating loan program, the farm credit system, and the private sector. Further, Secretary Reister stated that the Administration believes that the deferral of FmHA loans would not be in the best interests of borrowers or the Government. She related that the Department is presently making use of the full range of authorities to assist borrowers experiencing difficulty, including rescheduling, refinancing, and deferral of loans on an individual, case-by-case basis.

Senator Hawkins, Chairman of the Agricultural Credit and Rural Electrification Subcommittee, pointed out that in the two days of hearings and Committee mark-up last spring of S. 2314, legislation establishing lending limits for the Farmers Home Administration loan programs, no one offered these proposals. Senator Hawkins related the testimony of Under Secretary of Agriculture Frank Naylor during subcommittee hearings that the discretionary authority presently granted to the Secretary to deal with borrowers on an individual basis allowed the flexibility necessary to deal efficiently with problem cases. Senator Hawkins stated that it would be more appropriate to address these proposals on the Senate floor during consideration of S. 2314 or in early subcommittee hearings rather than as a separate Committee bill. She also expressed concern as to the ramifications of a broad deferral program as opposed to the present review of delinquencies on an individual basis and the message such action may send to borrowers who might otherwise be able to remain current with their payments.

Senator Jepsen expressed concern for those borrowers who are in need of immediate relief and who may not have the luxury of time to try to work out their problems. He stated that this bill would send a needed sign of hope to financially hard-pressed farmers.

Senator Pryor concurred with Senator Jepsen's remarks and voiced strong support for Senator Huddleston's proposal.

By voice vote, the Committee agreed to report the proposal to the Senate as an original bill.

Section-by-Section Analysis

ECONOMIC EMERGENCY LOANS

Section 1 amends the Emergency Agricultural Credit Adjustment Act of 1978, which authorizes the Secretary of Agriculture to make farm loans to qualified farmers who cannot get credit elsewhere due to economic stresses, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities. The program established under the 1978 Act is known as the economic emergency loan program.

Section 1 amends section 202 of the 1978 Act, which generally authorizes, but does not require, the Secretary to make loans under the ecomic emergency loan program. Section 1 changes the authorization to a requirement that the Secretary make loans under the program.

Section 1 also amends section 207(b) of the 1978 Act, which sets loan limits under the economic emergency loan program. Under section 207(b), as now written, the maximum amount of loan principal that a farmer may have outstanding under the economic emergency loan program at any one time is $400,000. Further, the maximum amount of loan principal that a farmer may have outstanding at any one time under the economic emergency loan program and under subtitle A (real estate loans) and subtitle B (operating loans) of the Consolidated Farm and Rural Development Act, combined, is $650,000. Section 1 reduces these loan limits, as follows:

(1) the loan limit under the economic emergency loan program is reduced from $400,000 to $200,000; and

(2) the combined loan limit is reduced from $650,000 to $450,000.

Section 1 provides that these amendments are not to be construed to affect any loan insured or guaranteed before the date of enactment of the bill.

Section 1 also amends section 211 of the 1978 Act, which now provides that the authority of the Secretary to make new loans under the ecomomic emergency loan program expires September 30, 1982. Under the amendment, the authority to make new loans under the program is extended 1 year—to September 30, 1983.

LOAN DEFERRALS

Section 2 amends section 331A of the Consolidated Farm and Rural Development Act, which authorizes the Secretary of Agriculture to (1) defer the repayment of principal and interest on any outstanding loan made under the Act or under the provisions of any other law administered by the Farmers Home Administration, and (2) forego foreclosure of any such loan, for such period as the Secretary deems necessary on a showing by the borrower that (due to circumstances beyond the borrower's control) he is temporarily unable to make the payments when due without unduly impairing his standard of living.

Section 2 designates the current provisions of section 331A as subsection (a) and adds new subsections (b), (c), (d), and (e). Section 2 also changes a reference in the second sentence of the redesignated subsection (a) from a reference to the whole section to a reference only to the redesignated subsection (a).

New subsection (b) requires the Secretary, during the period beginning with the date of enactment of the bill and ending September 30, 1983, to (1) permit certain borrowers, at the borrower's request, to defer repayment of principal and interest on certain outstanding farm loans, and (2) forego foreclosure of such loans. Loans that would be eligible for deferral and foregoing of foreclosure are: farm ownership loans, farm operating loans, and emergency loans under the Act and economic emergency loans under the Emergency Agricultural Credit Adjustment Act of 1978. A borrower could

qualify for deferral and foregoing of foreclosure if he owns or operates not larger than a family-size farm and can show that he—

(1) has followed good management practices;

(2) due to circumstances beyond his control, is temporarily unable to continue making payments on the loan; and

(3) has a reasonable chance of repaying the loan after the period of deferral and foregoing of foreclosure ends.

The county committees established under the Act would determine whether a person seeking assistance under new subsection (b) owns or operates a family-size farm. Interest on a loan subject to deferral that accrues during the deferral period would not bear interest during or after the deferral period.

New subsection (c) imposes further requirements on the Secretary, with respect to borrowers who receive assistance under new subsection (b), after the period of deferral of repayment of the loan and foregoing of foreclosure ends. The Secretary would be required to make available to any such borrower, at the borrower's request, procedures whereby the loan may be consolidated, rescheduled, or reamortized to provide equitable repayment terms consistent with the borrower's farm and financial situation. New subsection (c) also provides that a consolidated, rescheduled, or reamortized loan will bear interest at a rate not in excess of the rate of interest on the original loan.

New subsection (d) requires the Secretary to promulgate certain regulations relating to loan deferrals, as follows:

(1) regulations providing for notification of all farm borrowers of the provisions of section 331A, as amended by the bill, and all other servicing alternatives offered by the Secretary;

(2) regulations that provide clear procedures by which borrowers may petition the Secretary for relief under section 331A, as amended by the bill, or the other servicing alternatives offered by the Secretary; and

(3) regulations providing for appeal within the Department of Agriculture from decisions that deny relief under section 331A, as amended by the bill, or the other servicing alternatives offered by the Secretary.

New subsection (e) provides that any farm loan deferred, consolidated, rescheduled, or reamortized under any authority of the Secretary under the Act (other than the authority conferred on the Secretary under new subsection (b)) must, notwithstanding any other provision of the Act, bear interest, on the balance and for the term of the original loan, at a rate not in excess of the rate of interest on the original loan.

Administration Views

At the time of filing this report, the Committee had not received a report from the Department of Agriculture setting forth the Administration's views on the legislation.

Cost Estimate

In accordance with paragraph 11(a) of rule XXVI of the Standing Rules of the Senate, the Committee has estimated the cost of carrying out the provisions of the bill for fiscal years 1983 through 1987.

The Congressional Budget Office provided cost estimates that were the basis for the Committee's projections, and the Committee chose to adopt the cost estimates provided by the Congressional Budget Office.

With regard to potential losses to the Government due to losses of interest during obligatory periods of deferral and failure to repay loans after deferral of repayments, the Committee notes that the annual cost of Certificates of Beneficial Ownership sold to finance the outstanding principal amount affected by deferral is estimated at $12.1 million for each $100 million of principal affected.

In accordance with the Congressional Budget Act of 1974, the Congressional Budget Office prepared the following cost estimate:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., September 21, 1982.

Hon. JESSE A. HELMS,
Chairman, Committee on Agriculture, Nutrition and Forestry, U.S. Senate, Washington, D.C.

Dear Mr. Chairman: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for a bill to extend the economic emergency loan program for farmers and provide loan deferrals for borrowers of farm loans from the Farmers Home Administration, and for other purposes.

Should the Committee so desire, we would be pleased to provide further details on this estimate.

Sincerely,

RAYMOND C. SCHEPPACH
(For Alice M. Rivlin, Director).

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill Number: Not yet assigned.

2. Bill title: A bill to extend the economic emergency loan program for farmers and provide for loan deferrals for borrowers of farm loans from the Farmers Home Administration, and for other purposes

3. Bill status: As ordered reported by the Senate Committee on Agriculture, Nutrition and Forestry, September 15, 1982.

4. Bill purpose: The bill mandates the Secretary of Agriculture to make economic emergency loans of $600 million in fiscal year 1983 and reduces the maximum debt that individual borrowers may owe to the Farmers Home Administration (FmHA). The Bill also requires the Secretary of Agriculture to defer through fiscal year 1983 payments of principal and interest on farm ownership, farm operating, disaster and economic emergency loans and to forego foreclosure at the request of any borrower who qualifies under conditions of good management, temporary inability to make payments and the probability of repaying the loan. Interest on deferred loans accruing during the deferral period may be repaid interest free.

5. Cost estimate: The impact of the $600 million in economic emergency loans on the unified budget is significantly reduced by

the sale of assets by the FmHA to the Federal Financing Bank (FFB). The following table summarizes both the on-budget and off-budget effects of this program.

[By fiscal years, in millions of dollars]

	1983	1984	1985	1986	1987
On-budget (functions 350 and 900):					
Estimated budget authority	37	−132	−132	−132	−132
Estimated outlays		−132	−132	−132	−132
Off-budget (FFB):					
Estimated budget authority	600				
Estimated outlays	600				

Reliable data are not available to permit a precise estimate of the budget impact of the provision requiring the Secretary of Agriculture to defer certain loan repayments. There is no firm basis for estimating the amount of loans that would be deferred. If it is assumed that principal and interest payments are deferred on 40 percent of outstanding ACIF loans, the toal amount of deferred payments would be $1.7 billion in fiscal year 1983, assuming enactment by October 1982. (However, some of these borrowers might have received deferrals in any event). Interest on the deferred interest payments is not required to be paid, and that provision would result in the loss of about $115 million annually in accrued interest until repayments begin. The administrative costs to review applications and reschedule payments for the deferrals are based on an estimated 1,500 additional staff years, assuming suitable personnel could be hired and trained, and would result in outlays of about $35 million. All these costs could be correspondingly larger or smaller, depending on the actual amount of outstanding borrowing approved for deferral. In the long term, the deferred loans are to be repaid with interest, though there is no basis for projecting the repayment schedule. Assuming such repayments, the major costs of the deferral are the administrative expenses and the loss of interest on the deferred interest payments.

6. Basis of estimate: On-budget outlays from the mandated economic emergency loans represent interest and principal received from borrowers. Budget authority is calculated as interest accrued on FFB transactions less interest and principal received from borrowers. Principal and interest repayments are made annually and begin one year after the loan is disbursed.

The loan assets are assumed to be sold in the year the loans are disbursed. The repurchase of loan assets from the FFB is assumed to occur after 1987.

7. Estimate comparison: None.

8. Previous CBO estimate: On September 15, 1982, CBO prepared a cost estimate of H.R. 6818, as ordered reported by the House Committee on Agriculture. This bill contains identical provisions for extension of the economic emergency loan program, and those provisions are expected to have the same budget impact.

On May 27, 1982, CBO prepared a cost estimate of H.R. 5831, as order reported by the House Committee on Agriculture. This bill contains similar provisions for the deferral of principal and inter-

est payments and a moratorium on foreclosure of agricultural credit loans, and those provisions are expected to have the same budget impact.

9. Estimate prepared by: Howard Conley.

10. Estimate approved by:

C. G. NUCKLOS
(For James L. Blum,
Assistant Director for Budget Analysis.)

REGULATORY IMPACT EVALUATION

In compliance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the Committee makes the following evaluation of the regulatory impact that woud be incurred in carrying out the Committee bill.

The purpose of the bill is to extend the economic emergency loan program, make certain revisions in that program, and require the Secretary of Agriculture, for a 1-year period, to permit certain borrowers under Farmers Home Administration loan programs to defer payment on their loans and forego foreclosure.

The bill is not a regulatory measure in the sense of imposing Government standards or significant economic or regulatory responsibilities on the private sector. The economic loan program and the other farm loan programs that would be affected by the deferral provisions of the Committee bill are loan programs that provide funds in the form of insured or guaranteed loans that would not otherwise be available for farm and ranch operations.

Because the assistance authorized under these programs is provided in the form of loans, individual applicants must meet certain eligibility requirements and must submit personal financial information. The same kind of information would be required from those borrowers who seek a deferral or foregoing of foreclosure of a loan. However, the programs are voluntary and the information required of applicants and borrowers is the same kind of information that is required by commercial banks of their loan applicants and borrowers. The amount of paperwork involved in processing loan applications and servicing loans is comparable to that required by commercial lenders.

The proposed legislation would have very little additional impact on personal privacy since the programs as they presently exist require basically the same information in applications as would be required under the bill.

The impact of specific provisions of the bill is as follows:

ECONOMIC EMERGENCY LOANS

The bill would extend the economic emergency loan program for a 1-year period (to September 30, 1983) with maximum lending authority of $600 million and make implementation of the program mandatory. The maximum permissible amount of credit outstanding to any borrower would be reduced from $400,000 to $200,000 and the limitation on a borrower's total indebtedness to FmHA for all types of farm loans would be reduced from $650,000 to $450,000.

In fiscal year 1979—the first full year of the economic emergency loan program—47,302 borrowers participated in the program and

$3.1 billion in loans were obligated. In fiscal year 1981, 27,348 borrowers participated with $1.2 billion being obligated. As of June 30, 1982, there were 66,251 borrowers with loans outstanding under the program and some $4.6 billion in loan obligations outstanding. It is impossible to estimate how many applicants may apply for loans under the program in fiscal year 1983. While the reduced limits on loans under the Committee bill would make credit available to more borrowers than under the current law, these reduced limits would also prevent some farmers who have reached the limits and who are unable to obtain credit elsewhere from obtaining additional credit.

DEFERRALS AND FORECLOSURES

The Committee bill permits, at the request of the borrower, the deferral of principal and interest on outstanding farm loans and foregoing foreclosure on such loans when the borrower demonstrates good management practices, is temporarily unable to make payments due to circumstances beyond the borrower's control, and has a reasonable chance to repay the loan after the period of deferment and foregoing of foreclosure. Such deferrals would be granted for maximum periods of 1 year ending September 30, 1983. Application of the provision would be limited to borrowers who operate family-size farms.

As of June 30, 1982, there were 435,215 active borrowers participating in the farmer loan programs of FmHA. The outstanding loans held by these borrowers amounted to $24.3 billion. Twenty-eight percent (120,220) of these borrowers were delinquent in making payments on the loans. While it is impossible to determine how many borrowers might qualify for deferral or foregoing of foreclosure under the criteria of the bill, it is possible that approximately 120,000 FmHA borrowers would be affected by the bill.

The bill also provides that upon expiration of a period of deferment of foregoing foreclosure, the borrower could request that the loan be consolidated, rescheduled, or reamortized, on equitable terms consistent with the borrower's situation, at an interest rate not to exceed the rate of the original loan. This would have no appreciable impact on the program since current regulations provide for such consolidation, rescheduling, or reamortization of such loans. A change in regulations is currently being considered by FmHA to permit reamortization and rescheduling of such loans at the rate of interest applied to the original loan.

CHANGES IN EXISTING LAW

In compliance with paragraph 12, of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

AN ACT To amend the Consolidated Farm and Rural Development Act, provide an economic emergency loan program for farmers and ranchers, extend the Emergency Livestock Credit Act of 1974, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Agricultural Credit Act of 1978".

* * * * * * *

TITLE II—EMERGENCY AGRICULTURAL CREDIT ADJUSTMENT ACT OF 1978

SHORT TITLE

SEC. 201. This title may be cited as the "Emergency Agricultural Credit Adjustment Act of 1978".

AUTHORITY TO INSURE OR GUARANTEE LOANS

SEC. 202. The Secretary of Agriculture [may] *shall* insure or guarantee loans to (1) bona fide farmers and ranchers who are primarily and directly engaged in agricultural production and who are citizens of the United States and (2) farm cooperatives and private domestic corporations and partnerships that are primarily and directly engaged in agricultural production and in which a majority interest is held by members, stockholders, or partners, as applicable, who themselves are citizens of the United States and are primarily and directly engaged in agricultural production, if the applicant for such loan—

(A) has the experience or training and resources necessary to assure a reasonable prospect for successful operation with the assistance of such loan;

(B) needs such credit in order to maintain a viable agricultural production operation; and

(C) is not able to obtain sufficient credit elsewhere due to economic stresses, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities.

As used in this title, the term "agricultural production" shall include aquaculture; the term "Secretary" shall mean the Secretary of Agriculture; and the term "able to obtain sufficient credit elsewhere" means able to obtain sufficient credit elsewhere to finance the applicant's actual needs at reasonable rates and terms, taking into consideration prevailing private and cooperative rates and terms in the community in or near which the applicant resides for loans for similar purposes and periods of time. For the purpose of determining whether an applicant under this title is not able to obtain sufficient credit elsewhere, the Secretary shall require at least one written indication of declination of credit, from a legally organized lending institution within reasonable proximity to the applicant, that specifies the reasons for the declination: *Provided,* That for loans in excess of $300,000, the Secretary shall require at least two such written declinations: *Provided further,* That for loans of $300,000 or less, the Secretary may waive the requirement of this sentence if the Secretary determines that it would impose an undue burden on the applicant.

PURPOSES OF LOANS

SEC. 203. (a) Loans may be insured or guaranteed under this title for (1) refinancing outstanding indebtedness, including the making of installment payments of principal and interest, on farm or home real estate and other farm and essential home debts that cannot be paid unless assistance is provided under this title to provide adequate terms within the applicant's repayment ability and assure continuation of the applicant's farming, ranching, or aquaculture operation: *Provided,* That no loan may be insured or guaranteed under this title for the purpose of refinancing outstanding indebtedness on farm or home real estate unless such real estate was purchased by the applicant at least one year prior to the date of the loan application, (2) reorganization of the farming, ranching, or acquaculture operation, including changes in the nature or method of operation, necessary to provide an economically sound operating unit, (3) purchase of essential water rights, supplies, and irrigation facilities, (4) purchase of essential livestock, poultry, and farm equipment, (5) purchase of feed, seed, fertilizer, insecticides, and farm supplies and other essential farm operating expenses, including cash rent, (6) financing essential land and water development, use, and conservation, (7) other essential farm, ranch, and aquaculture needs, including, but not limited to, family subsistence, and (8) loan closing costs. No loan may be insured or guaranteed under this title the purpose of which is to purchase or lease additional land.

(b) In making loans under this title, preference shall be given to owners or operators of not larger than family farms. In the case of farm cooperatives, corporations, and partnerships, the family farm preference shall apply to the farm or farms in which both the entity and its principal members, stockholders, or partners, as applicable, have an ownership or operator interest and are primarily and directly engaged in agricultural production.

GUARANTEED LOAN LIMITS; RATES OF INTEREST; REPAYMENT PERIOD; RESTRICTIONS

SEC. 204. (a) The Secretary may guarantee under this title the principal and interest on any loan that is made by a legally organized lending agency, and that otherwise meets the purposes and conditions of this title, except that such guarantee shall not exceed 90 per centum of the principal and interest of the loan.

(b) Loans guaranteed under this title shall bear interest at rates to be agreed upon by the lender and borrower. Loans insured under this title shall bear interest at rates determined by the Secretary taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus not to exceed 1 per centum, as determined by the Secretary, and adjusted to the nearest one-eighth of 1 per centum.

(c) Loans insured and guaranteed under this title shall be repayable at such times as the Secretary may determine, taking into account the purpose of, and need for, the loan, but not later than provided for loans for similar purposes under the Consolidated Farm and Rural Development Act: *Provided,* That, if the loan is for a

purpose described in subtitle B of such Act, the Secretary may make the loan repayable at the end of a period not exceeding twenty years if the Secretary determines that the need of the applicant justifies a longer repayment period.

(d) No fees or charges shall be assessed by the Secretary for any loan insured or for any guarantee provided under this title.

LOAN CERTIFICATIONS AND CONDITIONS

SEC. 205. (a) As a condition of the Secretary's guaranteeing any loan under this title, the lender shall certify that—

(1) the lender is unwilling to provide credit to, or continue with, the loan applicant in the absence of the guarantee authorized by this title;

(2) the loan applicant is directly and in good faith engaged in agricultural production; and

(3) the financing to be furnished the loan applicant is to be used for one or more of the purposes set forth in section 203 of this title.

(b) As a condition of the Secretary's insuring any loan under this title, the loan applicant shall certify that—

(1) the loan applicant will be unable to obtain financing in the absence of the assistance authorized by this title;

(2) the loan applicant is directly and in good faith engaged in agricultural production; and

(3) the financing to be furnished the loan applicant is to be used for one or more of the purposes set forth in section 203 of this title.

(c) As a condition of insuring or guaranteeing any loan under this title, the Secretary must find that there is reasonable probability of accomplishing the objectives of this title and repayment of the loan.

(d) The Secretary shall require—

(1) the county committee authorized under section 332 of the Consolidated Farm and Rural Development Act to certify in writing that the applicant for a loan under this title meets the eligibility requirements for the loan, has the character, industry, and ability to carry out the proposed operations, and will, in the opinion of the committee, honestly endeavor to carry out the applicant's undertakings and obligations; and

(2) except for guaranteed loans, an agreement by the applicant for a loan under this title that if at any time it shall appear to the Secretary that the applicant may be able to obtain a loan from a production credit association, a Federal land bank, or other responsible cooperative or private credit source, at reasonable rates and terms for loans for similar purposes and periods of time, the applicant will, upon request by the Secretary, apply for and accept such loan in an amount sufficient to repay the Secretary or the insured lender, or both, and pay for any stock in a cooperative lending agency that must be purchased in connection with such loan.

For purposes of carrying out the agreements required under clause (2) of the preceding sentence, not later than three years after the loan is insured, and not later than at the end of every two-year

period thereafter for the term of the loan, the Secretary shall review the loan; and if, based on such review, the Secretary determines that the borrower is able to obtain a loan from a credit source specified in clause (2) at reasonable rates and terms for loans for similar purposes and periods of time, the borrower shall, on request by the Secretary, apply for and accept such loan pursuant to the terms of the agreement and clause (2).

(e) No loan that is for more than $300,000 may be insured under this title, unless the Secretary determines that the applicant is not able to obtain from a private or cooperative lending agency a loan guaranteed by the Secretary under this title sufficient to finance the applicant's actual needs at reasonable rates and terms.

LOAN SECURITY

SEC. 206. Loans shall be insured or guaranteed under this title upon the full personal liability of the borrower secured by such collateral as is available that, together with the confidence of the Secretary, and, for guaranteed loans, and confidence of the lender, in the repayment ability of the loan applicant, is deemed by the Secretary adequate to protect the Government's interest. The collateral may be subject to a prior lien or may be collateral that has depreciated in value owing to temporary economic conditions.

FUNDING; LIMITATION ON OUTSTANDING LOANS

SEC. 207. (a) The fund created in section 309 of the Consolidated Farm and Rural Development Act shall be used by the Secretary for the operation of the loan program, and for the discharge of the obligations incurred by the Secretary, under this title. The Secretary may use such fund to (1) pay administrative expenses of the Secretary necessary to insure, guarantee, and service loans, and otherwise carry out the provisions of this title, and (2) purchase, on such terms and conditions as the Secretary may deem appropriate, all or any portion of any loan insured or guaranteed under this title, or to defer payments of principal and interest with respect to such loan and pay expenses and fees incident to such purchase or deferral. There shall be reimbursed to such fund by appropriations annually an amount equal to the costs incurred in the operation and administration of the program created by this title.

(b) The total principal balance outstanding at any time on loans insured or guaranteed under this title for any borrower shall not exceed [$400,000] *$200,000*: *Provided,* That no loan may be insured or guaranteed under this title to a borrower who has any loans outstanding under subtitle A or B of the Consolidated Farm and Rural Development Act that would cause the total outstanding principal indebtedness under this title and subtitles A and B of the Consolidated Farm and Rural Development Act to exceed [$650,000] *$450,000,* and no loan may be made, insured, or guaranteed under subtitle A or B of the Consolidated Farm and Rural Development Act to any borrower who has any loans outstanding under this title that would cause the total outstanding principal indebtedness under subtitles A and B of the Consolidated Farm and

Rural Development Act and this title to exceed [650,000] *$450,000.*[1]

(c) The total principal balance outstanding at any time on loans insured or guaranteed under this title shall not exceed $6,000,000,000.

FULL FAITH AND CREDIT

SEC. 208. Any contract of guarantee or insurance executed by the Secretary under this title shall be an obligation supported by the full faith and credit of the United States and incontestable except for fraud or misrepresentation of which the holder has acutal knowledge at the time it becomes a holder.

ISSUANCE OF CERTIFICATES OF BENEFICIAL OWNERSHIP; CONTRACTS OF GUARANTEE ASSIGNABLE; REGULATIONS

SEC. 209. (a) The provisions of section 310B(6) of the Consolidated Farm and Rural Development Act shall apply to loans insured or guaranteed under this title. The Secretary is authorized to handle loans guaranteed under this title in the same manner as loans guaranteed under the Consolidated Farm and Rural Development Act.

(b) Contracts of guarantee executed pursuant to the provisions of this title shall be fully assignable.

(c) The Secretary is authorized to issue such regulations as the Secretary determines necessary to carry out this title. Final regulations shall be issued as soon as possible, but in no event later than thirty days after the date of enactment of this title. Insofar as practicable, the Secretary shall complete action on each loan application within thirty days after its receipt.

AVAILABILITY OF THE PROGRAM

SEC. 210. Financial assistance may be made available under this title throughout the "United States" as that term is defined in section 343 of the Consolidated Farm and Rural Development Act.

EFFECTIVE PERIOD

SEC. 211. The provisons of this title shall become effective upon enactment, and the authority to make new contracts of insurance or guarantee under this title shall terminate [September 30, 1982] *September 30, 1983*: *Provided,* That the Secretary may not make new contracts of insurance or guarantee under this title that will cause the total amount of money borrowed under such contracts during any fiscal year to exceed $600,000,000.

STUDY AND REPORT

SEC. 212. (a) The Secretary shall conduct a comprehensive study of the operation and effectiveness of the program of financial assistance authorized under this title. The study shall include, but

[1] Section 1(b)(2) of the bill provides that the amendments to this subection will not be construed to affect any loan insured or guaranteed before the date of enactment of the bill.

shall not be limited to, an examination and analysis of the following items:

(1) the effect of loans insured or guaranteed under this title on the overall financial condition of borrowers and their ability to maintain viable agricultural production operations;

(2) the implementation and effect of the provisions of this title requiring, as a condition of eligibility, that loan applicants not be able to obtain sufficient credit elsewhere;

(3) the loan repayment delinquency rate and the percentage of borrowers who subsequently are able to obtain credit from other sources and repay the loans extended to them under this title;

(4) the use under this title of loan guarantees as compared with insured loans;

(5) the purposes for which loans are actually insured or guaranteed under this title in relation to the purposes specified in section 203, and an evaluation of the family farm preference established under section 203(b);

(6) the methods of servicing loans and encouraging the repayment of loans insured or guaranteed under this title; and

(7) the need for extending beyond September 30, 1981, the authority for insuring and guaranteeing loans under this title.

(b) The Secretary shall complete the study required under this section and submit a report to Congress by March 31, 1981. Any recommendations by the Secretary for extending the authority to insure and guarantee loans under this title shall contain an evaluation of possible alternatives, such as (1) the merger of the program of financial assistance authorized under this title with the farm ownership and operating loan programs authorized under the Consolidated Farm and Rural Development Act, and (2) the combination of all farm loan programs into a single program.

* * * * * * *

CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT

SEC. 301. (a) This title may be cited as the "Consolidated Farm and Rural Development Act."

(b) The Congress hereby finds that the statutory authority of the Secretary of Agriculture, hereinafter referred to in this title as the "Secretary," for making and insuring loans to farmers and ranchers should be revised and consolidated to provide for more effective credit services to farmers.

* * * * * * *

SUBTITLE D—ADMINISTRATIVE PROVISIONS

* * * * * * *

SEC. 331A. (a) In addition to any other authority that the Secretary may have to defer principal and interest and forego foreclosure, the Secretary may permit, at the request of the borrower, the deferral of principal and interest on any outstanding loan made, insured, or held by the Secretary under this title, or under the provisions of any other law administered by the Farmers Home Administration, and may forego foreclosure of any such loan, for

such period as the Secretary deems necessary upon a showing by the borrower that due to circumstances beyond the borrower's control, the borrower is temporarily unable to continue making payments of such principal and interest when due without unduly impairing the standard of living of the borrower. The Secretary may permit interest that accrues during the deferral period on any loan deferred under this [section] *subsection* to bear no interest during or after such period: *Provided*, That if the security instrument securing such loan is foreclosed such interest as is included in the purchase price at such foreclosure shall become part of the principal and draw interest from the date of foreclosure at the rate prescribed by law.

(b) During the period beginning with the date of enactment of this subsection and ending September 30, 1983, the Secretary shall permit, at the request of the borrower, the deferral of principal and interest on any outstanding loan made, insured, or held by the Secretary for farm ownership purposes under subtitle A, farm operating purposes under subtitle B, disaster emergency purposes under subtitle C, or economic emergency purposes under the Emergency Agricultural Credit Adjustment Act of 1978, and shall forego foreclosure of any such loan, in both cases on a showing by the borrower that the borrower (1) has followed good management practices, (2) due to circumstances beyond the borrower's control, is temporarily unable to continue making payment on such principal and interest when due, and (3) has a reasonable chance of repayment of the loan after the deferral of principal and interest and foregoing of foreclosure. Interest that accrues during the deferral period on any loan deferred under the provisions of this subsection shall bear no interest during or after such period. The foregoing provisions of this subsection shall be limited to borrowers who own or operate family-size farms, as certified by the county committee.

(c) Upon the expiration of any period of deferral of payment of principal and interest and foregoing of foreclosure by the Secretary under subsection (b) of this section, the Secretary shall make available to the borrower, at the borrower's request, procedures whereby the loan may be consolidated, rescheduled, or reamortized to provide equitable repayment terms consistent with the borrower's farm and financial situation, and any loan so consolidated, rescheduled, or reamortized shall bear interest at a rate not in excess of the rate of interest on the original loan.

(d) The Secretary shall promulgate regulations that provide (1) for notification of all farm borrowers of the provisions of this section and all other servicing alternatives offered by the Secretary, (2) clear procedures by which borrowers may petition the Secretary for relief under such provisions and alternatives, and (3) for appeal within the Department of Agriculture from a decision that denies relief under such provisions and alternatives.

(e) Any farm loan deferred, consolidated, rescheduled, or reamortized under any authority of the Secretary under this title other than under subsection (b) of this section shall, notwithstanding any other provision of this title, bear interest on the balance of the original loan and for the term of the original loan at a rate not in excess of the rate of interest on the original loan.

* * * * * * *

ADDITIONAL VIEWS OF SENATORS HUDDLESTON, LEAHY, ZORINSKY, MELCHER, PRYOR, AND BOREN

I.

U.S. farmers are confronted with the worst economic conditions since the 1930's, with almost every economic and financial indicator pointing to severe hardship for them. We are deeply concerned about the depression in the farm economy and the failure of the Administration to use effectively the tools that Congress has provided it to deal with the problem.

A.

A measure of the seriousness of the farm situation is the number of farm borrowers who are failing to meet their debt obligations.

According to a Farmers Home Administration report released on December 4, 1981, and contained in appendix A of these additional views, there were 260 foreclosures of FmHA farm loans in 1980. During the first 10 months of 1981, there were 201 FmHA foreclosures and the total for the year did not exceed 300. In addition, at a January 21, 1982, press conference, the Under Secretary of Agriculture for Small Community and Rural Development stated that only one percent or less of the Farmers Home Administration's 270,000 farm loan borrowers had even a potentially serious problem. Further, this Administration spokesman said that delinquencies were moving downward to around the 20 percent level,

The following information, provided by the Farmers Home Administration, shows the extent to which the situation has deteriorated this year.

Liquidations of Farmers Home Administration farm loans for financial reasons, October 1, 1981, to August 31, 1982[1]

Foreclosures	776
Voluntary liquidations	5,501
Bankruptcies discharged	1,156
Total	7,433

[1] For liquidations by State, see appendix B of these additional views.

Percent of FmHA farm borrowers delinquent as of June 30 of each year [1]

	Percent
1976	14
1977	14
1978	13
1979	13
1980	16
1981	20
1982	28

[1] For States with the highest delinquency rates, see appendix C of these additional views.

DOLLAR AMOUNT DELINQUENT AND AS A PERCENT OF THE TOTAL FmHA FARM LOAN PORTFOLIO AS OF JUNE 30, 1980–82

	Millions	Percent
1980	$826	4.5
1981	1,600	7
1982	2,900	12

Of the $2.9 billion in delinquent payments in 1982, 60 percent has been delinquent for two or more years. Appendix D of these additional views provides an analysis of the delinquency situation, program by program. There is little possibility that these borrowers will become current under present economic conditions.

Farmers Home Administration borrowers are not the only farm borrowers in serious financial trouble. For the first time ever, the farm credit system has found it necesary to monitor the nunber of foreclosures.

Preliminary data collected by the Farm Credit Administration show that 4,383 farm credit borrowers are now in the process of being liquidated. That number is estimated to be a 100-percent increase over last year. Federal land banks report a 30-percent increase in delinquent borrowers over last year. Production credit associations report a 27-percent increase in delinquent borrowers over last year.

Farm borrowers from commercial lenders are also facing problems. Among the preliminary findings of the 1982 mid-year survey of American Banker Association member banks are the following:

Preliminary data from American Banker Association midyear survey

	Percent
Percent of farm borrowers who were discontinued from bank financing from June 1981 to June 1982	3.4
Percent of bankers describing this discontinuation rate as:	
Higher than normal	55.4
Lower than normal	2.3
Normal	42.3
Percent of farm borrowers who are loaned up to their practical limit	28.9
Percent of farmers who went out of business in the lending areas of the banks	1.9
Percent of bankers describing this rate of going out of business as:	
Higher than normal	62.2
Lower than normal	.4
Normal	37.5

Also alarming is the drop in farm income in 1982. It now appears that, in 1982, farmers will experience the lowest annual farm income, adjusted for inflation, since the Department of Agriculture began keeping records of farm income in the early part of this century.

Projections indicate that total cash receipts to farmers in 1982 will actually be less than receipts in 1981, the first time there has been such a decline since 1975. Also, based on current estimates, it is expected that, in 1982, for the first time ever, farm production expenses will exceed cash receipts from farm marketings, despite an increase in production expenses of only two percent over 1981 expenses.

The decline in farm income in 1982 would be more precipitious without the increase in direct Government payments under Federal "safety-net" programs, triggered by current low prices. The Department of Agriculture expects wheat, feed grains, cotton, and rice deficiency payments in 1982 to total $4 billion.

A table showing farm income for the period 1910 through 1981, and the estimated 1982 farm income, adjusted for inflation, is contained in Appendix E to these additional views.

B.

On several occasions this year, we and other members of Congress have urged the President and the Secretary of Agriculture to adopt a comprehensive recovery program for U.S. farmers, using authorities under existing law. We have recommended that the Administration take action to alleviate the severe credit problems facing farmers, raise farm prices through effective use of the acreage reduction programs, and increase agricultural exports. However, to date, the Administration has been slow in taking steps to address the growing crisis in agriculture.

The Administration has not used existing authorities to ease the farm credit situation and protect the $24 billion Farmers Home Administration farm loan portfolio.

Some areas of neglect include:

(1) Servicing and loan making are being neglected. The Administration acknowledges the need for more loan servicing, and many borrowers experience long delays in the loan application process. Despite this, as of July 24, 1982, the Farmers Home Administration was below the allowable employment ceiling by 273 full-time employees.

(2) The Administration has not fully used its authority, under existing law, to forego foreclosures, contrary to its expressed policy. Early in 1981, it was reported that the Farmers Home Administration had set a goal of reducing farm loan delinquencies by 20 percent, even if that meant forcing some farmers out of business. However, the Administration said repeatedly that forced liquidations were not increasing. In addition, the Administrator of the Farmers Home Administration, at his confirmation hearing on July 29, 1981, assured the Committee that the agency's primary objective was to assist farmers. At that time, the Administrator made the following statement:

> Foreclosure is any kind of liquidation, whether it is voluntary or an involuntary liquidation, of a man's business, his farm, and that is the last thing we want to do. That means that everybody has failed and we do not want to do that.

However, FmHA foreclosures of farm loans have increased from 260 foreclosures in 1980 to 776 in the first eight months of this year (with the total number of liquidations of FmHA farm loans for financial reasons totaling 7,433, as of August 31, 1982).

The Farmers Home Administration record is especially dim in light of the sense of the Senate resolution (S. Res. 257) encouraging the Farmers Home Administration to defer foreclosures, which was

agreed to on December 11, 1981. The resolution stated that the Secretary of Agriculture should, to the maximum extent practicable, pursue a policy of deferring foreclosure proceedings that would otherwise be taken on certain farm loans if—

(a) the Secretary determines that the obligor of the loan reasonably can be expected to repay the loan;

(b) the obligor of the loan has properly used for a farm purpose all loans previously made to the obligor by the Farmers Home Administration; and

(c) the obligor of the loan has not previously failed to satisfy a loan made to the obligor by the Farmers Home Administration by disposing of the security for the loan in a manner inconsistent with the obligor's loan agreement.

(3) The Administration has not used its authority to implement the economic emergency loan program. The Agriculture and Food Act of 1981 extended, until September 30, 1982, the authority for the Secretary of Agriculture to make economic emergency loans to farmers under the Emergency Agricultural Credit Adjustment Act of 1978.

Under the economic emergency loan program, the Secretary makes insured loans to qualified farmers who cannot get credit elsewhere due to economic stresses, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities. The loans bear an interest rate that reflects the cost of money to the Government.

With the extension made by the 1981 Act, the Secretary could have made up to $600,000,000 in economic emergency loans in fiscal year 1982. The funds for those loans would come from repayments of outstanding economic emergency loans; and, therefore, the programs would not involve new loan expenditures.

On February 24, 1982, 14 members of the Senate wrote to the Secretary of Agriculture urging him to implement the economic emergency loan program. On March 15, 1982, The Secretary stated, in a letter to Senator Huddleston, that he had established guidelines to determine if an economic emergency exists and that he was preparing regulations to implement the guidelines. The text of the letter to the Secretary and his response to Senator Huddleston are contained in appendix F of these additional views.

Although the depressed farm economy continues to deteriorate, the Administration has not yet decided that the program is needed.

(4) The Administration has not fully used its authority to make low interest loans to limited resource farmers. Section 346 of the Consolidated Farm and Rural Development Act requires the Farmers Home Administration to obligate a minimum of 20 percent of the 1982 insured operating loan funds to low income, limited resource borrowers. Such loans are presently made at an 11.25 percent interest rate and are desperately needed by many young, beginning farmers and other similarly-situated family farmers who are unable to obtain credit on reasonable terms from other sources.

As of July 31, 1982, 10 months through the fiscal year, and long after the time of year when most farmers need operating loans, less than 50 percent of the limited resource operating loan funds have been obligated.

A letter was sent to Secretary Block on June 24, 1982, urging him to meet the requirements of the law. The letter and the Secretary's response of July 29, 1982, are contained in appendix G of these additional views. A State-by-State analysis of the obligation of 1982 limited resource operating loan funds is contained in appendix H of these additional views.

(5) The Administration has not used its authority to provide financing for alcohol fuel projects that can serve to reduce surpluses of grain and lessen the Nation's dependence on imported oil.

The Energy Security Act of 1980 authorized the use of $1,450,000,000 for biomass energy projects; and appropriations legislation made $1,270,000,000 available for the projects.

Rather than use this financing, in 1981, the Administration proposed to rescind virtually all biomass energy funding; $1,245,000,000 of the $1,270,000,000 was proposed for rescission. (The remaining $25,000,000 had already been obligated and therefore was not proposed for rescission.) Of the total proposed for rescission by the Administration, Congress agreed to rescind $724,500,000. The remaining $520,500,000 was not rescinded and therefore was still available for use.

Of the $520,500,000 in funds available, $250,000,000 was to have been made available for alcohol fuel projects through Farmers Home Administration loan programs. In 1981, the Administration at first indicated its intention not to spend the $250,000,000 available. When Congress emphasized its intention that the funds be used, by writing language to that effect in the fiscal year 1982 continuing appropriations Act (Public Law 97-51), the Administration indicated that it would comply. However, thus far, one project has been approved. Appendix I of the additional views contains a letter from Senator Huddleston to Secretary Block on this matter, dated July 31, 1981.

A recent report issued by the Congressional Research Service, at the request of Senator Huddleston, found that if the Administration had used all of its available authorities, 664 million bushels of corn could have been used to produce alcohol. The report concluded:

> The alcohol fuels funding provided for in the Energy Security Act and Public Law 96-126 would have provided 1,659 million gallons of alcohol and would have consumed 664 million bushels of corn. This represents a "maximum possible" figure since all the funds available were assumed to be used in successful projects which were not on line producing alcohol fuel.
>
> The corn consumed would have substantially alleviated the present corn surplus problem. According to Mr. Barry Carr, specialist in agriculture with the CRS Environment and Natural Resources Division, the corn crop this year is 8.2 billion bushels, with the best estimate that 900 million bushels of this is surplus. Converting 664 million bushels of corn to alcohol would therefore have eliminated over two thirds of this year's surplus.
>
> The alcohol produced, 1.659 billion gallons, if used in a ten percent "gasohol" blend with gasoline, would provide

over 16.5 billion gallons of gasohol. This would be far in excess of the 700 million gallons of gasohol sold in the United States during 1981. Since gasoline sales in the United States are roughly 100 billion gallons per year, this quantity of gasohol would be approximately 16.5 percent of the Nation's gasoline sales.

Much of the decline in farm income can be attributed to a weakening of market prices for grains and other agricultural commodities, at least partially due to a failure of the Administration's farm policies.

Earlier this year, it became apparent that agricultural market prices were moving downward and action was needed to curtail the excessive production contributing to the slide in prices.

It is generally acknowledged that a paid land diversion program is the most effective way to limit excessive production, and the Secretary of Agriculture was urged to adopt such a program.

In January of this year, the American Farm Bureau Federation indicated that it favored implementation of paid diversion programs in 1982 for wheat and feed grains. A letter to Senator Huddleston on this matter, dated January 29, 1982, with background material, is contained in appendix J of these additional views.

At a March 22, 1982, meeting with congressional leaders on agricultural matters, the President asked Members of Congress for their recommendations on agricultural policy. On April 5, eight members of the Committee responded to this request and forwarded to the President and Secretary of Agriculture an outline of their recommendations.

The April 5 response to the President's request included the recommendation that a voluntary paid land diversion program be implemented in 1982 for producers of wheat, feed grains, upland cotton, and rice.

The text of the letters to the President and the Secretary of Agriculture are included in appendix K of these additional views.

A similar recommendation that 1982 paid diversion programs be implemented was made in the additional views accompanying the Committee's report on H.R. 2160, filed on April 19, 1982.

The Administration, however, failed to implement paid diversion programs for the 1982 crops, and it now appears that the 1982 crops of wheat, corn, and soybeans will be the largest on record. As the 1982 harvest adds to the supplies of these commodities, already weak market prices are falling to disastrously low levels.

Increasing agricultural exports is critical to strengthening the farm economy. Department of Agriculture statistics show that, currently, about two-thirds of the U.S. wheat crop is being exported, along with over half the soybean crop, one-fourth of feed grain production, and nearly half of the cotton output.

Two out of every five acres of cultivated land in the United States are devoted to production of food and five for export. The Department of Agriculture estimates that the equivalent of half a million farmers are engaged in producing commodities for export, and an even larger number of nonfarm people are engaged in processing and handling American agricultural products for export.

Agricultural exports make a major contribution to the U.S. trade balance. They accounted for one-fifth of total U.S. exports in fiscal year 1981. In recent years, agricultural exports have helped to finance a large portion of the very costly petroleum imports into this country. Last year, they contributed a surplus of $26.6 billion to partially offset the large deficit in nonagricultural trade.

Unfortunately, the value of agricultural exports shipped in fiscal year 1982 will decline for the first time in more than a decade. The decline will likely be worse than the Administration predicted 6 months ago. A table showing the value of U.S. agricultural exports for the period 1969 through 1981, and an estimate for 1982, is contained in appendix L of these additional views.

Members of Congress have urged the President and Secretary of Agriculture to actively pursue an aggressive program to increase exports. In a letter to the President dated February 1, 1982, signed by 13 Senators, the Administration was urged to seek appropriations for the export credit revolving fund authorized in the 1981 farm bill. (The text of the February 1, 1982, letter to the President is contained in appendix M to these additional views.) This recommendation was reiterated in the additional views accompanying the Committee's report on H.R. 2160, filed on April 19, 1982.

The Administration, however, to date, has not sought funding for the export credit revolving fund.

II.

The farm economic situation for 1983 will show no improvement from 1982 without a major revision of agricultural policy. Every effort must be made to ease the credit situation for farmers, reduce interest rates, reduce commodity surpluses, improve farm income, and increase agricultural exports.

A.

We strongly support the Committee bill, which provides for increased use of deferrals of repayment under the Farmers Home Administration farm loan programs and extends the economic emergency loan program for farmers. It is a modest attempt to provide some credit assistance to farmers suffering from economic depression. The implementation of the Committee bill will not make any farmer prosperous, but will help some farmers maintain operations until the agricultural economy improves.

The deferral provisions in the Committee bill mandate a policy similar to the policy called for in S. Res. 257. The House recently included a deferral provision in H.R. 5831 that is almost identical to the provision in the Committee bill. H.R. 5831 passed the House of Representatives by a vote of 372 to 39. The Administration has thus far opposed enactment of this provision. A letter to Members of Congress from Secretary Block discussing this provision, dated September 7, 1982, is contained in appendix N of these additional views.

Without immediate revision of loan repayment policy, as provided under the Committee bill, many Farmers Home Administration's delinquent borrowers will be faced with the prospect of liquidation or foreclosure.

A related matter of great concern to us is what the Under Secretary of Agriculture for Small Community and Rural Development has called the Administration's "strategy goal" of reducing Farmers Home Administration delinquencies by 70,000 borrowers in 1983. The President's budget attributes 4,000,000,000 in savings to this and other similar efforts. Therefore, it may be assumed that efforts will be made to speed up collections and liquidate borrower assets with little regard for the financial condition of individual borrowers.

We believe this "strategy goal" is in direct contradiction of the policy expressed by the Senate in S. Res. 257 and the intent of the deferral provisions of the Committee bill and H.R 5831, as passed by the House of Representatives. We urge the Secretary of Agriculture to withdraw this "strategy goal" and reformulate Farmers Home Administration policy to conform to the intent of the Committee bill.

B.

High interest rates are still a major problem for farmers. While interest rates have declined over the past year, further reductions are needed. Today's interest rates seem reasonable only when compared to the higher rates we have seen recently. We are convinced that further reductions in the interest that farmers pay must be a major objective of Government policy. Farming and ranching are high-risk, capital-intensive businesses that are very sensitive to interest rates.

Earlier this year, the Committee, in reporting H.R. 2160 to the Senate, called on the President (1) to work with the Federal Reserve System in implementing policies that will reduce the rate of interest farmers must pay to obtain credit for necessary production items; and (2) in nominating persons for positions on the Federal Reserve Board that will come open, to ensure that agricultural interests are provided fair representation on the Board.

We continue to strongly urge the President to take these steps, using his authority and influence with respect to policymaking by the Federal Reserve System, to resolve the critical interest rate problem facing farmers.

C.

In the Omnibus Reconciliation Act of 1982, Congress provided the Administration additional tools to address the severe problem of depressed commodity prices. That Act requires the Secretary of Agriculture to implement mandatory diversion programs for wheat, feed grains, and rice in 1983 under which, for farmers participating in the programs for those commodities, the farmer will receive a diversion payment for devoting to conservation uses 5 percent of the farmer's wheat, feed grain, or rice acreage base. Also, the Secretary is authorized, under the 1981 farm bill, to set the paid diversion percentage at higher than 5 percent.

On September 2, 1982, 12 Senators wrote to the Secretary of Agriculture urging him to provide for more than the minimum 5-percent paid diversion required under the Reconciliation Act. A copy of that letter is contained in Appendix O of these additional views.

While the Secretary recently announced that there would be a 10-percent paid diversion for the 1983 crop of feed grains, he also announced a diversion program for the 1983 crop of wheat that only provides for paid diversion at the minimum 5-percent level. We urge the Secretary to review the 1983 wheat program provisions and consider giving wheat producers a paid diversion program similar to that given feed grain producers. Likewise, we urge the Secretary to establish the paid diversion under the 1983 rice program at a level that will be effective in strengthening prices.

D.

Special Trade Representative William E. Brock has stated that financing is a critical element in maintaining our export competitiveness and that the agricultural credit revolving fund authorized by the 1981 farm bill, if given sufficient resources, could provide this Nation a useful tool in meeting the competition.

We agree. Use of the agricultural credit revolving fund would contribute substantially to our export promotion effort for U.S. agriculture. By increasing export sales of agricultural commodities, market prices will be strengthened and budget exposure for Government deficiency payments will be lessened. Moreover, exports financed through the use of the revolving credit fund would be in addition to regular commercial sales and would contribute significantly to the national economy.

Therefore, we urge the Administration to support adequate funding for the export credit revolving fund.

Also, Congress included in the Omnibus Reconciliation Act of 1982 a provision requiring the Secretary of Agriculture to use at least $175,000,000, but not more than $190,000,000, of Commodity Credit Corporation funds, in each of the fiscal years 1983 through 1985, to stimulate sales of U.S. agricultural products in foreign markets. This provision was patterned after a bill (S. 2661) that Senators Cochran and Huddleston introduced earlier this year. The Administration has not yet announced how these funds will be used. We urge the Secretary of Agriculture to quickly announce these guidelines and, further, to use these funds to reduce the interest costs of export sales.

Moreover, we note that the pending bill to provide appropriations for the Department of Agriculture and related agencies (H.R. 7072) provides that not less than $500 million in direct export credit loans be made by the Commodity Credit Corporation during fiscal year 1983. This provision is contained in both the Senate and House versions of the bill, reflecting the broad support for programs to increase the level of agricultural exports and thereby improve the economic state of American agriculture. We urge the Administration to make use of these funds quickly and effectively to reverse the trend toward lower agricultural exports we have seen in the past year.

WALTER D. HUDDLESTON.
PATRICK J. LEAHY.
EDWARD ZORINSKY.
JOHN MELCHER.
DAVID H. PRYOR.
DAVID L. BOREN.

APPENDIX A

FACTS ABOUT FARM FORECLOSURES: U.S. DEPARTMENT OF AGRICULTURE

"We do not anticipate any significant change in farm foreclosures this year." Frank W. Naylor, Jr., Under Secretary of Agriculture, December 1, 1981.

In 1980 there were a total of 260 foreclosures. For the first 10 months of 1981, the figure was 201. The 1980 foreclosures were 0.11 percent of the total loan portfolio of 243,755 loans. The 201 foreclosures in the first 10 months of 1981 are 0.07 percent of the current borrowers. Even if the rate should go as high as 300 by year's end, the total would still be less than the 0.11 failure rate of 1980.

Farmers this year have been under considerable stress. Drought conditions have prevailed for two and three years in some areas. Yields have been reduced on many farms. Production costs have increased in most farming operations. Commodity prices have been lower than expected.

The delinquency rate is high in some areas. Some counties report delinquency rates of as much as 70 percent. Delinquency means only that the borrower is at least 30 days late with a payment on his loan. The fact of "delinquency" does not mean the farmer or rancher is about to "go under."

"We understand the tough times farmers are having." Under Secretary Naylor. Net farm income in 1981 will be down from a year ago. Net farm income may not completely recover in 1982. Farm policy of this Administration is to service loans, not to foreclose them—except as a last resort.

Farmers Home Administrator Charles Shuman's instructions to FmHA offices:

"Fully utilize all the refinancing, reamortization and many other reasonable actions that will keep any legitimate farmer or rancher out there another year."

"Continue on a year-by-year basis with those delinquent borrowers who: act in good faith in trying to meet their agreements, make an honest effort to pay but cannot, due to a natural disaster, apply recommended and recongnized successful farm and financial management practices, have a reasonable chance of success, and maintain and account for property used to secure loans."

What about reports that Farmers Home plans to change its "collection policy" so as to cut off the bottom 25 percent of its loan portfolio?

"Absolutely false," says Under Secretary Naylor. "We will not foreclose until we've exhausted every conceivable way of keeping loans alive." "We will give each farm loan borrower an opportunity to work his or her way out of financial or farm credit difficulty."

APPENDIX B

FmHA LIQUIDATIONS FOR FINANCIAL REASONS

Area	Foreclosures	Bankruptcy discharged	Liquidations
United States	776	1,156	5,501
Alabama	26	14	72
Alaska	0	0	0
Arizona	0	1	29
Arkansas	27	14	84
California	3	11	21
Colorado	10	6	67
Delaware	0	1	2
Maryland	4	4	14
Florida	13	98	172
Georgia	17	69	229
Hawaii	0	0	1
Western Pacific Territory	0	0	0
Idaho	42	19	183
Illinois	8	13	142
Indiana	47	55	87
Iowa	1	11	174
Kansas	6	71	144
Kentucky	10	48	41
Louisiana	4	3	124
Maine	20	9	104
Massachusetts	0	3	5
Connecticut	0	4	3
Rhode Island	0	1	0
Michigan	6	3	62
Minnesota	8	42	273
Mississippi	101	74	455
Missouri	59	34	210
Montana	2	1	25
Nebraska	13	34	167
New Jersey	0	4	24
New Mexico	1	2	11
New York	4	13	189
Virgin Islands	0	0	1
North Carolina	47	85	226
North Dakota	5	43	150
Ohio	7	7	37
Oklahoma	17	53	136
Oregon	4	15	71
Pennsylvania	16	23	110
Puerto Rico	0	1	33
South Carolina	48	49	112
South Dakota	5	13	92
Tennessee	22	6	118
Texas	30	68	866
Utah	1	1	1
Nevada	0	0	7
Vermont	0	0	10
New Hampshire	1	1	1
Virginia	25	16	63
Washington	3	8	10

FmHA LIQUIDATIONS FOR FINANCIAL REASONS—Continued

Area	Foreclosures	Bankruptcy discharged	Liquidations
West Virginia	8	3	22
Wisconsin	104	102	284
Wyoming	1	0	7

APPENDIX C

FARMERS HOME ADMINISTRATION: STATES WITH HIGHEST PERCENT OF FARM OWNERSHIP, FARM OPERATING, DISASTER EMERGENCY, AND ECONOMIC EMERGENCY LOAN BORROWERS DELINQUENT AND NUMBER DELINQUENT, JUNE 30, 1982.

State	Number	Percent
Farm ownership:		
Arizona	209	39
Florida	401	33
Georgia	827	32
Texas	1,512	26
Nevada	33	25
Colorado	337	25
Louisiana	438	24
Virginia	388	23
New Mexico	215	23
California	193	22
New Jersey	92	22
Farm operating:		
Florida	891	61
Arizona	279	57
Georgia	1,444	53
Texas	3,253	49
Alabama	968	47
Colorado	357	46
Mississippi	1,678	40
California	363	39
New Mexico	247	39
Wyoming	188	39
Indiana	775	36
Disaster Emergency:		
Georgia	4,271	67
Florida	1,084	63
Arizona	285	63
Texas	5,536	60
Maine	304	58
New Mexico	239	57
Louisiana	2,146	48
Colorado	341	47
Alabama	1,943	47
Mississippi	3,919	47
Idaho	337	39
Economic emergency:		
Texas	1,418	69
Georgia	986	68
Alabama	436	64
Arkansas	215	64
Colorado	541	64
Ohio	508	61
New Mexico	210	58
Wyoming	193	57
Mississippi	612	56
Louisiana	729	55

Source: Report Code 616—Active Borrowers Delinquent, June 30, 1982.

APPENDIX D

FARMERS HOME ADMINISTRATION: SELECTED MEASURES OF FARMER PROGRAM DELINQUENCIES, BY LOAN PROGRAM, JUNE 30, 1982

Program	Amount delinquent, (thousands)	Percent of total	By length of delinquency (percent of program dollars)			
			1 year or less	1–2 years	2–3 years	3 or more years
Farm ownership	$136,949	4.7	29.4	20.3	18.4	31.9
Farm operating	362,945	12.4	29.0	25.2	14.7	31.0
Emergency	1,861,186	63.4	19.0	17.8	25.2	38.0
Economic emergency	552,859	18.8	11.6	28.3	54.0	6.1
Soil and water	13,879	.5	35.9	27.8	21.5	14.8
All others	5,754	.2	19.8	17.8	14.4	48.0
Total	2,933,572	100.0	19.4	20.9	29.0	30.7

Source: Report Code 616—Active Borrowers Delinquent, June 30, 1982.

Appendix E

PURCHASING POWER OF THE INCOME OF FARM OPERATOR FAMILIES (INCLUDING FARM HOUSEHOLDS) AND OF THE FARM POPULATION, 5-YEAR AVERAGES 1910–39, ANNUAL 1940–81 [1]

Year	Consumer Price Index, all items (1967 = 100), percent	Purchasing power in 1967 dollars							
		Income of farm operator families						Personal income of farm population from all sources [3]	
		Net income from farming		Off-farm income [2]		Total family income			
		Total (millions)	Per farm	Total (millions)	Per farm	Total (millions)	Per farm	Total	Per capita
1910–14	29.0	13,759	2,141	NA	NA	NA	NA	NA	NA
1915–19	39.7	17,400	2,685	NA	NA	NA	NA	NA	NA
1920–24	53.2	9,466	1,456	NA	NA	NA	NA	NA	NA
1925–29	52.0	11,728	1,812	NA	NA	NA	NA	NA	NA
1930–34	43.1	6,939	1,041	NA	NA	NA	NA	NA	NA
1935–39	41.9	11,629	1,752	NA	NA	NA	NA	14,962	585
1940	42.0	10,671	1,681	NA	NA	NA	NA	18,088	593
1941	44.1	14,717	2,338	NA	NA	NA	NA	22,857	760
1942	48.8	20,191	3,254	NA	NA	NA	NA	28,873	998
1943	51.8	22,656	3,720	NA	NA	NA	NA	31,817	1,214
1944	52.7	22,169	3,700	NA	NA	NA	NA	31,508	1,271
1945	53.9	22,842	3,827	NA	NA	NA	NA	31,933	1,308
1946	58.5	25,757	4,347	NA	NA	NA	NA	34,232	1,347
1947	66.9	22,951	3,909	NA	NA	NA	NA	31,589	1,223
1948	72.1	24,499	4,222	NA	NA	NA	NA	32,999	1,354
1949	71.4	17,899	3,127	NA	NA	NA	NA	27,277	1,127
1950	72.1	18,929	3,352	NA	NA	NA	NA	28,218	1,225
1951	77.8	20,481	3,774	NA	NA	NA	NA	29,125	1,330
1952	79.5	18,819	3,620	NA	NA	NA	NA	27,679	1,273
1953	80.1	16,205	3,251	NA	NA	NA	NA	24,598	1,237
1954	80.5	15,370	3,204	NA	NA	NA	NA	22,781	1,198
1955	80.2	14,096	3,029	NA	NA	NA	NA	21,761	1,141
1956	81.4	13,826	3,063	NA	NA	NA	NA	21,682	1,158
1957	84.3	13,149	3,008	NA	NA	NA	NA	20,711	1,173
1958	86.6	15,206	3,592	NA	NA	NA	NA	22,181	1,296
1959	87.3	12,271	2,995	NA	NA	NA	NA	20,084	1,211
1960	88.7	12,985	3,277	9,563	2,413	22,548	5,690	20,701	1,324
1961	89.6	13,345	3,489	10,227	2,674	23,571	6,163	21,258	1,436
1962	90.6	13,316	3,606	10,932	2,961	24,247	6,657	21,785	1,522
1963	91.7	12,835	3,593	12,017	3,364	24,853	6,957	21,778	1,629
1964	92.9	11,294	3,267	12,526	3,623	23,820	6,890	21,265	1,558
1965	94.5	13,650	4,067	13,468	4,013	27,118	8,080	23,910	1,934
1966	97.2	14,362	4,409	14,282	4,385	28,644	8,794	24,499	2,113
1967	100.0	12,339	3,903	14,495	4,584	26,834	8,486	22,854	2,102
1968	104.2	11,825	3,851	14,843	4,833	26,668	8,684	23,128	2,212
1969	109.8	13,017	4,339	15,129	5,043	28,147	9,382	24,459	2,373
1970	116.3	12,240	4,150	15,148	5,137	27,388	9,287	23,861	2,457
1971	121.3	12,178	4,196	15,754	5,429	27,932	9,625	24,066	2,553
1972	125.3	15,089	5,275	16,971	5,934	32,060	11,210	28,192	2,934
1973	133.1	25,111	8,896	18,568	6,578	43,679	15,473	37,287	3,937
1974	147.7	17,604	6,299	19,049	6,815	36,653	13,114	31,304	3,379
1975 [4]	161.2	15,662	6,213	14,829	5,882	30,491	12,095	26,370	3,266
1976	170.5	10,948	4,385	15,500	6,207	26,448	10,592	21,835	2,901
1977	181.5	10,156	4,136	14,117	5,748	24,274	9,884	21,166	3,417
1978	195.4	13,641	5,600	14,699	6,034	28,340	11,634	24,874	3,826

PURCHASING POWER OF THE INCOME OF FARM OPERATOR FAMILIES (INCLUDING FARM HOUSEHOLDS) AND OF THE FARM POPULATION, 5-YEAR AVERAGES 1910–39, ANNUAL 1940–81 [1]—Continued

Year	Consumer Price Index, all items (1967 = 100), percent	Purchasing power in 1967 dollars							
		Income of farm operator families						Personal income of farm population from all sources [3]	
		Net income from farming		Off-farm income [2]		Total family income			
		Total (millions)	Per farm	Total (millions)	Per farm	Total (millions)	Per farm	Total	Per capita
1979	217.4	14,879	6,123	15,539	6,395	30,418	12,518	25,364	4,064
1980	246.8	8,154	3,359	14,817	6,103	22,972	9,461	19,191	3,171
1981	272.4	9,221	3,785	14,438	5,927	23,659	9,712	19,557	3,378
1982 (forecast)	287	6,620	2,758	NA	NA	NA	NA	NA	NA

NA = not available.

[1] Obtained by dividing appropriate totals and averages appearing in related tables—all inclusive of Government payments—by the price indices given in the first column.

[2] Information not available prior to 1960.

[3] Information not available prior to 1934.

[4] Based on the 1974 Census of Agriculture definition of a farm, which is sales of $1,000 or more, and applies to 1975 and all following years.

Source: U.S. Department of Agriculture.

APPENDIX F

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C., February 24, 1982.

Hon. JOHN R. BLOCK,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: We urge you to implement the Economic Emergency Loan Program for the 1982 crop year as soon as possible.

The Agriculture and Food Act of 1981 extended the Economic Emergency Loan Program through September 1982 and limited the total new loans that could be made to $600 million. The program is, of course, one of several programs in the 1981 Act designed to assist farmers and assure consumers an abundance of food and fiber.

Specifically, the Economic Emergency Loan Program is designed to assist farmers in maintaining their farming operations. Under the program, you are authorized to make and guarantee loans to farmers who are unable to obtain sufficient credit elsewhere due to economic stresses, such as a general tightening of agricultural credit or an unfavorable relationship between production costs and prices received for agricultural commodities.

Current high interest rates combined with depressed commodity prices have placed the Nation's farmers in serious financial difficulties with many of them unable to obtain sufficient credit to finance the production of their 1982 crops.

We believe it imperative that you use all of the programs at your command in alleviating the problems facing our farmers, including the Economic Emergency Loan Program.

Sincerely,

WALTER D. HUDDLESTON.
THAD COCHRAN.
DAVID PRYOR.
HOWELL HEFLIN.
EDWARD ZORINSKY.
DAVID L. BOREN.
ROGER W. JEPSEN.
RUDY BOSCHWITZ.
JOHN MELCHER.
THOMAS F. EAGLETON.
MARK ANDREWS.
JOHN C. STENNIS.
JESSE HELMS.
ALAN J. DIXON.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., March 15, 1982.

Hon. WALTER D. HUDDLESTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUDDLESTON: On February 18, 1982, in my appearance before the House Agriculture Committee, I stated my intention to develop and announce guidelines for the Economic Emergency Program.

At this time, there appears to be ample funds available to meet agricultural credit needs. The Department is cooperating with the American Bankers Association, the Independent Bankers Association of America, and the Farm Credit System to monitor the situation and provide funds for eligible individual farmers.

The following guidelines will govern the use of the Economic Emergency program:

"The Secretary may make available Farmers Home Administration economic emergency loans when, in his judgment, an agricultural economic emergency exists in a State as reflected by various economic factors, including: current loan to deposit ratios of rural banks in that State, declines in the State's net farm income, variations in the crop yields of the major crops within that State, and a significant upward change in the number of classified loans held by conventional or farm credit system's agricultural lenders in the State.

"In eligible States, before an applicant can be considered eligible for an economic emergency loan under FmHA regulations that applicant must first be determined ineligible for an FmHA operating loan (OL) or an FmHA emergency loan (EM)."

We are preparing the regulations needed to implement these guidelines. They will be issued shortly.

Sincerely,

JOHN R. BLOCK, *Secretary.*

APPENDIX G

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C., June 24, 1982.

Hon. JOHN R. BLOCK,
Secretary of Agriculture,
Washington, D.C.

DEAR SECRETARY BLOCK: I am concerned that the Farmers Home Administration is not fully using its authority to assist low income, limited resource farmers. According to Farmers Home Administration reports, as of June 2, the agency has obligated over three-quarters of the insured operating loan funds authorized for fiscal year 1982 but less than 12 percent of those funds have gone to low income, limited resource borrowers.

As you know, section 346 of the Consolidated Farm and Rural Development Act requires the Farmers Home Administration to obligate a minimum of 20 percent of the 1982 insured operating loan funds to low income, limited resource borrowers. Such loans are presently made at a 11.25 percent interest rate and are desperately needed by many family farmers who are unable to obtain credit from other sources.

In addition, I was most disturbed to learn that the Farmers Home Administration national office has recently withdrawn from the States $60 million in insured operating loan funds. These funds had been designated for low income, limited resource borrowers to be used during the third quarter of this fiscal year. My state of Kentucky had its third quarter allocation of limited resource operating loan funds reduced by $2.1 million.

I understand that the withdrawn funds are to be made available during the fourth quarter. However, as a farmer, you know that farm operating loans are needed most early in the crop year.

At a time when many farmers are faced with the prospect of foreclosure because of record low farm income and persistent high interest rates, the administration should fully use the authority under the Farmers Home Administration limited resource farmer programs to provide much-needed assistance to farmers. I am aware that the administration believes budget savings could result from the elimination of the limited resource farmer programs. However, I would point out that the present 20 percent set-aside for limited resource farmers is a reduction from the 25 percent minimum set-aside required in fiscal year 1981 and the 40 percent actual obligation of authorized funds to limited resource borrowers in 1980.

I would appreciate your assurance that the requirements of the law will be met and that a minimum of 20 percent of the 1982 op-

erating loan funds will be made to low income limited resource farmers at the earliest possible time.

Sincerely,

WALTER D. HUDDLESTON.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., July 29, 1982.

Hon. WALTER D. HUDDLESTON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUDDLESTON: This is in response to your letter concerning the limited resource farm operating loan program and the pooling of State allocations.

On April 30, 1982, State allocations of limited resource and regular insured operating loan funds were revised. The revision involved a transfer of $60 million of regular interest rate funds from the fourth to the third quarter and the transfer of a like amount of limited resource funds from the third to the fourth quarter. These revisions were made to meet the demands for loans in various States and to make the most efficient and effective use of available funds.

All unobligated balances of insured regular and limited resource operating loan funds through the third quarter were pooled nationally after the close of business on June 1, 1982, and were made available to all States. All States had limited resource operating funds available during the third quarter. Limited resource funds are available to all States in the fourth quarter. As required by law, 20 percent of the 1982 insured operating loan funds have been allotted for limited resource borrowers. These funds have been and will continue to be available during fiscal 1982.

Thank you for writing.

Sincerely,

JOHN R. BLOCK, *Secretary.*

APPENDIX H

STATE-BY-STATE ANALYSIS OF FmHA LIMITED-RESOURCE FUNDS ALLOCATED AND OBLIGATED DURING FISCAL YEAR 1982 (THROUGH JULY 14, 1982)

State	FmHA operating loan program			
		Limited-resource program		
	Initial total O/L State allocation, fiscal year 1982	Initial State limited resource O/L allocation, fiscal year 1982	State limited resource O/L obligation, July 14, 1982	Percent of L/R allocation used (obligation divided by allocation)
Alabama	$25,340,000	$5,068,000	$1,703,870	34
Alaska	470,000	94,000	0	0
Arizona	6,460,000	1,292,000	853,520	66
Arkansas	35,370,000	7,074,000	2,429,410	34
California	19,660,000	3,932,000	1,108,830	28
Colorado	16,860,000	3,372,000	998,790	30
Connecticut	5,110,000	1,022,000	644,300	63
Delaware	1,930,000	386,000	35,300	9
Florida	20,530,000	4,106,000	1,031,730	25
Georgia	37,770,000	7,554,000	3,510,350	46
Hawaii	1,250,000	250,000	54,950	22
Idaho	30,450,000	6,090,000	3,359,140	55
Illinois	45,770,000	9,154,000	7,733,670	84
Indiana	37,870,000	7,574,000	2,040,510	27
Iowa	66,590,000	13,318,000	10,132,590	76
Kansas	37,000,000	7,400,000	4,055,150	55
Kentucky	39,990,000	7,998,000	4,089,240	51
Louisiana	49,820,000	9,964,000	5,856,000	59
Maine	12,820,000	2,564,000	2,555,180	100
Maryland	9,150,000	1,830,000	782,410	43
Massachusetts	5,780,000	1,156,000	404,470	35
Michigan	31,700,000	6,340,000	1,861,340	29
Minnesota	54,730,000	10,946,000	4,578,190	42
Mississippi	37,000,000	7,400,000	4,318,100	58
Missouri	54,250,000	10,850,000	6,604,820	61
Montana	15,610,000	3,122,000	1,900,000	61
Nebraska	39,320,000	7,864,000	3,779,470	48
Nevada	1,730,000	346,000	40,000	12
New Hampshire	2,310,000	462,000	88,700	19
New Jersey	5,780,000	1,156,000	414,700	36
New Mexico	8,770,000	1,754,000	617,860	35
New York	29,780,000	5,956,000	3,323,320	56
North Carolina	55,890,000	11,178,000	4,861,300	43
North Dakota	33,920,000	6,784,000	1,276,040	19
Ohio	21,780,000	4,356,000	1,513,250	35
Oklahoma	47,600,000	9,520,000	1,505,390	17
Oregon	14,450,000	2,890,000	1,547,960	54
Pennsylvania	29,490,000	5,898,000	2,850,970	48
Puerto Rico	9,540,000	1,908,000	868,590	45
Rhode Island	570,000	114,000	29,980	26
South Carolina	19,080,000	3,816,000	2,566,600	81
South Dakota	40,470,000	8,094,000	7,012,760	87
Tennessee	34,020,000	6,804,000	5,204,990	77

STATE-BY-STATE ANALYSIS OF FmHA LIMITED-RESOURCE FUNDS ALLOCATED AND OBLIGATED DURING FISCAL YEAR 1982 (THROUGH JULY 14, 1982)—Continued

State	FmHA operating loan program			
		Limited-resource program		
	Initial total O/L State allocation, fiscal year 1982	Initial State limited resource O/L allocation, fiscal year 1982	State limited resource O/L obligation, July 14, 1982	Percent of L/R allocation used (obligation divided by allocation)
Texas	102,450,000	20,490,000	7,782,590	38
Utah	6,260,000	1,252,000	265,480	21
Vermont	6,650,000	1,330,000	898,300	68
Virginia	16,380,000	3,276,000	358,580	11
Virgin Islands	470,000	94,000	0	0
Washington	17,920,000	3,584,000	1,941,480	54
West Virginia	8,670,000	1,734,000	692,770	40
Wisconsin	54,830,000	10,966,000	4,294,590	39
Wyoming	7,320,000	1,464,000	528,470	36
West Pacific	270,000	54,000	30,550	57
Reserve	10,000,000	2,000,000		
Total	1,325,000,000	265,000,000	127,036,000	48

APPENDIX I

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C., July 31, 1981.

Hon. JOHN R. BLOCK,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: I am gravely concerned about information I have received regarding Farmers Home Administration loan guarantees for alcohol fuel projects.

I have obtained a copy of a letter addressed to you from Mr. Frederick N. Khedouri, Associate Director of the Office of Management and Budget. In that letter, it appears that officials in the Office of Management and Budget are attempting to exercise management authority over Department of Agriculture programs in an effort to thwart the will of Congress. A copy of the letter is attached.

Mr. Khedouri states that the Office of Management and Budget intends to prohibit the use of $250 million in loan guarantee authority provided by Congress for alcohol fuel loans.

The letter also indicates that in the opinion of Office of Management and Budget and Agriculture Department attorneys, loan guarantees are not subject to the provisions of the Congressional Budget and Impoundment Control Act of 1974.

This distorted interpretation of the 1974 Act could be applied to all Federal loan guarantee programs.

Mr. Secretary, I am sure you are aware that the Senate Committee on Agriculture, Nutrition, and Forestry is greatly distressed about the control that nondepartmental officials seem to have over Department of Agriculture programs. I am requesting that you take the necessary action to ensure that Department of Agriculture programs are managed by Department of Agriculture employees for the benefit of the Nation's food and fiber producers and consumers without undue interference by officials not accountable to Congress.

Further, I sincerely hope that you will not be a party to any scheme, as described in Mr. Khedouri's letter, that attempts to circumvent the intent of Congress.

If the Administration wishes to abolish a program or not use funds authorized and appropriated by Congress, appropriate legislative action should be initiated.

Finally Mr. Secretary, I take issue with the Office of Management and Budget's assumption that Federal loan guarantees are not needed to advance the production of alcohol fuels.

The alcohol fuels industry is in its infancy. Without Federal loan guarantees, private industry cannot be expected to commit millions

of dollars to long-term projects that may be profitable today only because of certain tax benefits that may be changed or withdrawn at any time.

I believe, as do many members of Congress, that the time to deal with the Nation's energy problem is before another crisis paralyzes the Nation. Guaranteed loans for alcohol fuel projects are a relatively inexpensive way to ease the Nation's energy problem.

I would appreciate your response to the concerns I have raised. I will be happy to request a Committee hearing if a public forum would help resolve these matters.

Sincerely,

WALTER D. HUDDLESTON.

Attachment.

OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., July 5, 1981.

Hon. JOHN R. BLOCK,
Assistant Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: As you are aware, this Administration has opposed Federal loans and loan guarantees to support alcohol fuel production. Such support is unnecessary given existing incentives for alcohol fuels production including:

4 cents per gallon excise tax exemption for gasohol (equivalent to $16.80 per barrel of pure alcohol). This tax exemption will cost the Treasury $2B of lost revenues over the next 5 years.

30 States provide tax credits for gasohol ranging from 2 cents to 10 cents per gallon of gasohol (equivalent of $8.40 to $42 per barrel of pure alcohol).

Capital investment in alcohol plants is eligible for a 20% investment tax credit. In 1982 alone, this will result in tax expenditures of over $200M.

Furthermore, the Reagan Economic Recovery Program provides additional new inventives for alcohol production:

The decontrol of domestic crude oil makes alcohol fuels even more profitable. In addition to USDA and DOE estimates show that alcohol fuels plants are highly profitable.

The combination of tax reductions, budget cuts and reductions in Federal credit activities will stimulate more private capital investment.

In light of these incentives, OMB and USDA agree that the $250M alcohol fuels loan guarantee program authorized in the Supplemental Appropriations and Rescissions Act (P.L. 97-12) is both unnecessary to a viable alcohol fuels program and inconsistent with the President's economic program. Therefore we do not plan to use the authorization, and we have taken apportionment action placing authority in reserve for the remainder of FY 1981.

Both OMB and your Department's General Counsels have determined that loan guarantee authority is not subject to the provisions of the Budget Control and Impoundment Act, and disuse of this authority therefore does not require a rescission proposal under the terms of that Act.

Therefore, I am requesting the Department to send a letter to the concerned Members of Congress informing them of the Administration's intention not to commit the $250M in loan guarantees for alcohol fuels provided in the Supplemental Appropriations and Rescissions Act.

Sincerely,

FREDERICK N. KHEDOURI,
Associate Director
for Natural Resources, Energy and Science.

Appendix J

American Farm Bureau Federation,
Washington, D.C., January 29, 1982.

Hon. Walter D. Huddleston,
U.S. Senate,
Washington, D.C.

Dear Senator Huddleston: President Robert Delano met with Secretary of Agriculture John Block January 27, and presented Farm Bureau recommendations for an effective acreage reduction program for major crops covered by the 1981 farm bill. The recommendation included a paid land diversion program for corn and wheat.

Attached is a copy of the background material presented to the Secretary.

If you have any questions or desire further information, call me at 484–2222.

Sincerely,

John Datt,
Secretary.

Acreage Reductions for 1982 Crops—The Farm Bureau Proposal

PROBLEM

In the absence of an effective acreage reduction program for the major crops covered in the 1981 farm bill, pressure will mount during the coming months for the Administration to "do something." Such pressure is likely to lead to short-term policies, like higher loans and more abuse of the farmer reserve, which give short-term price relief, but will further deviate from the free market policy objective.

We are at a critical farm program decision point. Acceptance of both the 1977 and 1981 farm bills implied acceptance of a set of program options—set-aside, diversion, reserves, CCC stocks, target prices and loan rates—which must be used in combination to provide for balanced management of the program and to avoid letting one group get the upper hand over the others. At this point, consumers and taxpayers have the advantage over farmers because the farmer-held reserve has been administered, not as a tool for orderly marketing, but to prevent deficiency payments. In the process, stocks have been built to staggering levels which will dominate the markets for the next one to two years. We must still go through another period of relatively low price due to stock levels and farmer reserve administration which has release price levels too high in relation to domestic and export market prospects.

Administration of the farm program is seriously out of balance in relation to the competing objectives of farmers, consumers and taxpayers. The farmer-held reserve now contains substantially more wheat and feedgrains than it should contain in order to avoid further damage to the market system and provides more benefits to consumers and taxpayers than to farmers (see Exhibit "C").

OPTIONS FOR 1982

The farm ecoonmy is in a tedious state due primarily to the long-term neglect of the inflation problem. But it is also in a tedious state due to past embargoes and the uncertainty associated with the talk of embargoes and the operation of the farm program, particularly the abuse of the farmer reserve.

As has been the history in government farm program management, none of the options are "good" ones. We must now select the one which damages the market the least.

The farmer-held reserve is already bloated. Further use will insure a brief upturn in prices due to reduced "free" stocks, but the re-release of reserve stocks at the onset of the 1982 harvest will force price back to the loan level.

The other option, the least offensive of the two and the one Farm Bureau favors, is an acreage reduction now which will be effective in reducing production enough for prices to begin an upturn during the next several months. This option has the risk of taking out "too much" acreage with potential damage to export markets if there are short crops due to poor yields. Farm Bureau is willing to take this chance due to the gravity of the situation.

ANALYSIS

Given the facts we now confront: large supplies, weak demand at home and abroad, prospects for large crops again this year, embargoes and the uncertainty of embargo talk, and an oversubscribed farmer reserve in relation to wheat and feedgrains market realities, the question which the Administration must face is:

Should the Administration spend money now for effective acreage reductions and avoid the political pressure this fall by pointing to strengthened prices or should the money be spent hurriedly at harvest by further expansion of the already bloated farmer-held reserve in an effort to mop up more grain in order to bolster prices?

Our analysis indicates that it is virtually a "toss up" between the government cost of effective set-asides for wheat and feedgrains versus the cost of expanding the farmer-held reserve (see Exhibit "A").

We believe that the only choice for the Administration is to spend the money now for effective acreage reductions for major crops. Prices will slowly strengthen during the coming months (see Exhibit "B"). The alternative is to wait until the new crops materialize, prices are further depressed and pressures mount due to the election-year challenge to take actions which are far worse than effective acreage reductions in terms of government costs and, more importantly, the cost of permanent damage to the free market for agriculture (see Exhibit "C"). There is already talk of raising the loan rate for wheat by $.50 per bushel and we are not even into the "election season."

POLICY RECOMMENDATIONS

Farm Bureau recommends effective acreage reductions for major commodities covered by the 1981 farm bill.

Farmers bore the brunt of the 1980 grain embargo. To some extent the stocks from that foreign policy action are still with us. More importantly, the uncertainty and market damage of embargo talk are very much with farmers now.

Farm Bureau believes that it is about time that consumers begin to pay for some of the foreign policy uncertainty with which farmers must contend. It has been too convenient to highlight abundant farm supplies and the contribution to modernization in the Consumer Price Index.

Farm Bureau was very critical of the previous administration and its regular abuse of the farmer held grain reserve. The previous administration used the farmer-held reserve to offset the 1980 embargo, opened the reserve at times when the market should have been left to function and increased release price levels out of relationship to the policy objective of orderly marketing which Farm Bureau supported in the Act of 1977. We continue this concern with this administration.

In summary, administration of the farm program is severely out of balance in relation to the use of the various policy options. There must be effective acreage reductions in 1982 for major crops.

Farm Bureau will not support any further use of the farmer-held reserve until we have an assurance from the Administration that the rules for this program are changed to insure orderly marketing, not more and more stocks to be released at price levels which will continue to kill off domestic feed use and export demand.

If an effective set-aside is implemented now, Farm Bureau will strongly support the Administration when pressure mounts to raise loan rates and target prices during this election year. We believe that action now with regard to effective set-asides will substantially reduce these pressures and avoid further damage to the market system.

Farm Bureau supports a voluntary 10-percent set-aside for the 1982 corn crop with a 10-cent-per-bushel payment on the corn acreage planted. (Our analysis clearly illustrates that a straight 15-percent set-aside will not reduce corn acreage. The 10-percent set-aside to 10-cents-per-bushel diversion will accomplish this objective.)

Farm Bureau supports a voluntary 15-percent set-aside for the 1982 wheat crop with a 30-cent-per-bushel payment on the wheat acreage planted.

Farm Bureau supports a voluntary 15-percent set-aside for cotton and rice. We believe that potential deficiency payments and other benefits should cause sufficient participation in these programs.

ADMINISTRATION PROPOSAL—PRICE PATTERN DURING 1982

Corn prices will increase from now until May or June as the free stocks situation tightens up due to the large entries of grain into the reserve. Strong feeding and export demand could force the price to the release level. Once the release price on the reserve is hit, failure of the set-aside to reduce acreage will cause corn prices to nosedive for the loan rate as the summer progresses. With the election approaching, the only tool left to prop up prices will be the farmer-held reserve. The already bloated reserve will be opened again to help raise prices. This will be viewed as the political move that it is. The reserve will then hang over the market and destroy grain price for all of 1983 and into 1984.

Wheat prices will be lucky to hold at present levels. As the new crop develops and the market realizes there has been no meaningful

cut in acreage, prices will quickly drop to the loan rate. As with corn, the reserve will be used to support prices as wheat-area Congressmen have a field day introducing ridiculous proposals.

FARM BUREAU PROPOSAL—PRICE PATTERN DURING 1982

The reduction in corn production by 500 million bushels should be sufficient to support prices well into harvest as users attempt to line up adaquate supplies. This should generate high enough prices to limit the pressure to open the reserve. The higher prices during the summer and fall of 1982 will hurt usage and prices will decline as we move into winter. Prices will suffer during 1983 as the large reserve supplies are liquidated, but prices should recover by the spring of 1984. The important point is that prices should be high enough from now to election so that calls for higher loans and more entries into the reserve can be deflected.

Wheat prices will definitely respond to the effective acreage reduction. Unless wheat yields are at the high end of our estimates, wheat prices should run in the area of $4.00 per bushel at the farm. This should quiet some of the critics. At worst, the reserve may have to be opened to another 100 million bushels of wheat. As with corn, wheat prices will deteriorate during 1983, but stand a fair chance of recovery late in 1983.

CCC STOCKS

With normal yields or higher than normal yields and no effective acreage adjustment, the probability of defaults of corn and wheat loans is extremely high. Corn put under loan in October 1981 for $2.40 will accumulate about 30 cents of interest charges in one year. With a price projection of less than $2.70, many producers may default rather than put the grain in the reserve and hope for higher prices. Wheat producers will face a similar situation.

With an effective acreage reduction program and lower than average yields, grain prices may be high enough to allow sales of CCC-owned grain. This would allow the CCC to recover some of its investment in the grain and further one of Farm Bureau's objectives of eliminating CCC ownership of grain.

EXHIBIT A

BASE ADMINISTRATION PROGRAM FOR CORN (INEFFECTIVE SET-ASIDE)

[Dollar amounts in millions]

	1981/82	Low yield	1982/83 normal yield	High yield
Yield per acre (bushels)	(109.9)	(99)	(104)	(109)
Storage payments	$150	$192	$252	$325
Deficiency payments			[1]220	[1] 239
Acreage reduction payments				
CCC purchases	149			
Total, Government	299	192	480	564
Gross farm revenue:				
From sales and reserve loans	20,803	20,973	19,663	19,512
Government payments (except storage)			228	239
Total	20,803	20,973	19,891	19,751

[1] 20 percent participation in set-aside with 15-cent-per-bushel deficiency payment on normal yield and 15-cent-per-bushel payment on high yield.

FARM BUREAU CORN PROPOSAL (10 PERCENT SET-ASIDE AND 10 CENTS PAYMENT)

[Dollar amounts in millions]

	1981/82	Low yield	1982/83 normal yield	High yield
Yield per acre (bushels)	(109.9)	(99)	(104)	(109)
Storage payments	$150	$166	$219	$265
Deficiency payments				[1] 587
Acreage reduction payments		[2] 450	[2] 450	[2] 450
CCC purchases	149	[3] −187	[3] −187	0
Total, Government	299	429	482	1,302
Gross farm revenue:				
From sales and reserve loans	21,623	23,021	21,174	19,644
Government payments (except storage)		450	450	1,037
Total	21,623	23,471	21,684	20,681

[1] Deficiency payment 13 cents per bushel on 60 percent of production.
[2] 60-percent participation to remove approximately 5,000,000 acres with a 10-cent-per-bushel payment on ASCS yield of acres planted to be paid after signup.
[3] Sale of 50,000,000 bushels of CCC stocks.

ADMINISTRATION WHEAT PROGRAM

[Dollar amounts in millions]

	1981/82	Low yield	1982/83 normal yield	High yield
Yield per acre (bushels)	(34.1)	(32.4)	(34.4)	(36.4)
Storage payments	$113	$130	$144	$151
Deficiency payment	486	[1] 44	[1] 70	[1] 125
Acreage reduction payment				
CCC purchases				
Total, Government	599	174	214	276
Gross farm revenue:				
From sales and reserve loans	10,280	10,251	10,265	10,389
Government payments (except storage)	486	44	70	125
Total	10,766	10,295	10,335	10,514

[1] 10-percent participation in set-aside with deficiency payments of 18 cents per bushel under low yield, 27 cents per bushel under normal yield and 45 cents per bushel under high yield.

FARM BUREAU WHEAT PROPOSAL (15 PERCENT SET-ASIDE AND 30 CENTS PAYMENT)

[Dollar amounts in millions]

	1981/82	Low yield	1982/83 normal yield	High yield
Yield per acre (bushels)	(34.1)	(32.4)	(34.4)	(36.4)
Storage payments	$113	$111	$130	$138
Deficiency payments	486		[1] 43	[1] 287
Acreage reduction payments		[2] 347	[2] 347	[2] 347
CCC purchases				
Total, Government	599	458	520	772
Gross farm revenue:				
From sales and reserve loans	10,280	9,752	10,107	10,059
Government payments (except storage)	486	347	390	634
Total	10,766	10,099	10,407	10,693

[1] Deficiency payment on 45 percent of production with 4 cents per bushel on normal yield and 25 cents per bushel on high yield.
[2] 45 percent participation to remove approximately 6,000,000 acres with a 30-cent-per-bushel payment on ASCS yield of acres planted to be paid after signup.

APPENDIX K

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C., April 5, 1982.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: Thank you for taking time out of your busy schedule to meet with me on March 22, 1982, to discuss the Administration's policy on agricultural exports and other topics related to the overall condition of American agriculture.

After the meeting, I conveyed to the other Democratic members of the Committee on Agriculture, Nutrition, and Forestry your request for recommendations on agricultural policy. You indicated that the recommendations should be submitted to Secretary Block. Enclosed is a copy of our letter to the Secretary detailing our recommendations.

Sincerely,

WALTER D. HUDDLESTON.

Enclosure.

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C., April 5, 1982.

Hon. JOHN R. BLOCK,
Secretary of Agriculture,
Washington, D.C.

DEAR SECRETARY BLOCK: We are pleased to provide you our recommendations on agricultural policy which the President requested at the March 22 White House meeting with Congressional leaders on agricultural matters. Senator Huddleston was, as you know, a participant at the meeting with the President and conveyed the President's request to the other Democratic members of the Committee on Agriculture, Nutrition, and Forestry.

First, we note that the Administration has yet to establish a policy on sales of agricultural commodities to the Soviet Union. What is the policy of this Administration? More specifically, when will new negotiations begin on extension of the long-term sales agreement. We are of the opinion that the United States cannot reestablish its position as a reliable supplier while our policy toward the Soviet Union remains undefined.

Second, we note that the President's budget request contains no funding for the export credit revolving fund authorized by the Agriculture and Food Act of 1981. Funding for this program would stimulate exports and thereby increase farm income, and would, in all likelihood, reduce the need for other government assistance for hard-pressed farmers. We urge the Administration to support emergency

legislation to implement the revolving fund at a level of not less than $250 million annually.

Third, our overseas humanitarian food assistance programs would be a logical means of using the current large stocks of U.S. agricultural commodities. The budget submission for fiscal year 1983 projects only 1.5 million metric tons (grain equivalent basis) of shipments under title II of Public Law 480. Congress has specified a minimum of 1.7 million tons of shipments under title II and this minimum should be met. We also urge you to explore new programs to increase food shipments in addition to those under Public Law 480.

We note that the World Food Council is considering a country-owned reserve plan directed toward enabling low-income countries to purchase U.S. grains through the International Monetary Fund. This plan provides for the immediate purchase of U.S. grains to be stored by the developing country until use. Such a plan may offer new opportunities for using our agricultural abundance.

Fourth, we recommend that the President and you use the broad discretionary authorities available to immediately stabilize farm prices and provide credit assistance to farmers. Specifically, we recommend the following actions:

(1) the implementation of a voluntary paid land diversion program in 1982 for producers of wheat, feed grains, upland cotton, and rice;

(2) the establishment of price support loan rates for the 1982 crops of wheat, feed grains, and rice at levels, significantly higher than those previously announced, that will provide more adequate price protection to farmers;

(3) with respect to farmers who, through no fault of their own, are temporarily unable to meet their debt obligations on Farmers Home Administration farm loans—(a) permitting them to defer making repayments on the loans; and (b) permitting borrowers to reamortize or reschedule their loans at not more than the original interest rate; and

(4) the immediate nationwide implementation of the FmHA economic emergency insured loan program.

In our judgment, these actions are necessary to revitalize the farm economy. Given the President's resolve to stand behind this Nation's farmers in their time of special need, we would hope that you will find support for these actions at the White House.

Sincerely,

WALTER D. HUDDLESTON.
PATRICK J. LEAHY.
EDWARD ZORINSKY.
JOHN MELCHER.
ALAN J. DIXON.
HOWELL HEFLIN.
DAVID PRYOR.
DAVID L. BOREN.

APPENDIX L

Value of U.S. agricultural exports

Year beginning October 1:	*Value (billions)*
1968 to 1969	$5.75
1969 to 1970	6.96
1970 to 1971	7.96
1971 to 1972	8.24
1972 to 1973	14.98
1973 to 1974	21.61
1974 to 1975	21.85
1975 to 1976	22.76
1976 to 1977	23.97
1977 to 1978	27.29
1978 to 1979	31.98
1979 to 1980	40.48
1980 to 1981	43.79
1981 to 1982	[1]40.50

[1] Estimated.

APPENDIX M

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C., February 1, 1982.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: The depressed level of prices for basic agricultural products in recent months has reemphasized the importance of controlling domestic overproduction and developing new markets for farm products. Last week, Secretary of Agriculture John Block announced programs designed to encourage U.S. farmers to reduce production of wheat, feed grains, rice, and upland cotton in 1982. At the same time, we should move to expand our export opportunities in order to maximize the potential for economic recovery in rural America.

A revolving credit fund to make U.S. agricultural products more competitive in world markets has received broad bipartisan support in Congress and is authorized in the new farm bill. The implementation of the fund would enable the Secretary of Agriculture to establish direct short-term and intermediate-term credit programs, and to encourage developing countries to apply proceeds from sales of U.S. farm products toward improvements in their food marketing and processing facilities.

The revolving credit fund would make a greatly-needed contribution to our export promotion effort for U.S. agriculture. By increasing sales of farm commodities, producer prices would be strengthened and budget exposure to government deficiency payments would be reduced. Furthermore, exports under the credit programs would be additional to regular commercial sales, and would contribute significantly to our national economic growth in 1982 and future years.

We therefore urge the Administration to support emergency legislation to implement the revolving credit fund at a level of $250 million in fiscal year 1982 and a similar amount for the next year. In terms of outlays, the annual cost of the fund would be considerably less than anticipated annual revenues from duties and fees on sugar imports as the result of the enactment of the 1981 farm bill.

U.S. farm exports are running well below the level expected a year ago due to restrictive import barriers maintained by several major customers, continuing export subsidy practices by our principal competitors, and the current hiatus in agricultural trade with the Warsaw Pact countries. Exports will decline still further if these conditions do not improve.

The implementation of the revolving credit fund authorized by the 1981 farm bill would, in our view, go far in increasing U.S. agricultural exports and giving our farmers relief from seriously depressed prices.

Sincerely,

JESSE HELMS.
WALTER D. HUDDLESTON.
HOWELL HEFLIN.
MARK ANDREWS.
ROGER W. JEPSEN.
RUDY BOSCHWITZ.
DAVID PRYOR.
ROBERT DOLE.
EDWARD ZORINSKY.
DAVID L. BOREN.
RICHARD G. LUGAR.
PAULA HAWKINS.
ALAN J. DIXON.

APPENDIX N

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., September 7, 1982.

DEAR MEMBER OF CONGRESS: Shortly the House will be considering the bill H.R. 5831, to amend the Consolidated Farm and Rural Development Act and authorized lending levels for fiscal year 1983 in major farm and rural community development programs administered by the Farmers Home Administration (FmHA). The bill exceeds the President's budget request by more than $550,000,000.

The Administration is opposed to this bill, as reported.

H.R. 5831 provides for mandatory deferral of loan repayments and of foreclosures which turn massive amounts of federal loans into outright gifts. While we believe borrowers who are unable to make scheduled repayment should be treated with compassion, we do not believe a wholesale moratorium, such as this bill provides, is necessary or in the best interest of either the borrower or the general taxpayer who put up the funds for the loans in the first place.

The bill would allow water and waste disposal grant funds to be utilized for predevelopment costs which could result in the expenditure of scarce grant funds on project that are never pursued and thereby diverting funds from the more essential purpose of curtailing user costs on systems actually built.

The bill also creates a schedule of interest rates for rural water and waste disposal and community facility projects that would be less effective and more costly than a schedule recently implemented by FmHA.

Finally, the bill continues the now unnecessary business-industrial loan guarantee program and makes program changes likely to substantially increase the risk of loss from the program.

These and other provisions in the bill, as summarized in the attached, would substantially increase the cost of these programs. For the foregoing reasons we oppose this bill and urge that it be defeated or recommitted to the Agriculture Committee.

Sincerely,

JOHN R. BLOCK, *Secretary.*

APPENDIX O

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, D.C., September 2, 1982.

Hon. John R. Block,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: We urge you to take immediate action, using the statutory authroities available to you, to revise the nation's farm programs so as to make them more responsive to the needs of hard-pressed farmers.

Based on the Department of Agriculture's most recent estimates, record large crops of corn and soybeans will be harvested this year and the 1982 wheat crop will be close to last year's record. In addition, it appears that the volume of agricultural exports in 1982 will increase only marginally from last year, and agricultural export sales in 1982 will almost certainly be less than in 1981. The addition of the huge 1982 crops of grain to existing carryover surpluses, coupled with continuing weak markets for grains, will reduce low commodity prices even further.

We, therefore, believe it imperative that the Administration (1) implement effective land diversion programs for the 1983 crops of wheat, feed grains, and rice, (2) assist farmers in increasing the Nation's grain storage capacity, and (3) make renewed efforts to increase agricultural exports.

The Omnibus Reconciliation Act of 1982 requires you to implement paid land diversion programs for the 1983 crops of wheat, feed grains, and rice under which, for farmers participating in the programs for those commodities, the farmer must divert from production 5 percent of the farm's wheat, feed grain, or rice acreage base. (In addition to the paid acreage diversion, farmers must divert from production under the acreage reduction program a specified percentage of the acreage base; *i.e.,* 15 percent in the case of wheat and rice and 10 percent in the case of feed grains.)

However, as the conference report on the 1982 Act makes clear, a paid diversion of 5 percent is only a minimum. Under the Agriculture and Food Act of 1981, you have authority to establish larger paid diversion programs for wheat, feed grains, and rice (and upland cotton if you determine that an acreage reduction program is needed for that commodity).

We believe that the 1983 paid diversion programs should be larger than 5 percent if they are to be effective in limiting production and bringing supplies more in line with demand. Therefore, we urge you to exercise your discretionary authority and expand the 1983 paid diversion programs to levels that will be effective in strengthening commodity prices.

The large grain crops now being harvested and the near-record carryover stocks of grain from previous years have also produced a storage deficit in many areas and higher storage charges for farmers in others. The farm storage facility loan program must be revised so as to ensure that, as required under the Agriculture and Food Act of 1981, storage facility loans are made available to farmers in all areas in which there is a deficiency of storage space.

Renewed efforts by the Department to expand agricultural exports must be undertaken to stabilize and increase commodity prices. In this connection, the vigorous use by you of the authority for expanded export market promotion in the Omnibus Reconciliation Act should be of great assistance.

The Nation's farm economy is disastrously weak and this weakness is contributing to the overall poor performance of the economy. We do not expect a major and sustained economic recovery without a reversal in the trend of declining farm prices and income.

Bold and vigorous use of the statutory authorities available to you is required to shore up declining farm prices and income and foster a recovery in the farm economy.

Sincerely,

DAVID BOREN.
HOWELL HEFLIN.
TOM EAGLETON.
JOHN MELCHER.
ALAN J. DIXON.
JIM SASSER.
WALTER D. HUDDLESTON.
DAVID PRYOR.
EDWARD ZORINSKY.
GARY HART.
JOHN C. STENNIS.
QUENTIN BURDICK.

ADDITIONAL VIEWS OF SENATOR PAULA HAWKINS

The bill incorporates two proposals that have been seized upon as instant palliatives for the credit difficulties afflicting many farmers. These proposals are the following:

1. An obligatory deferral of payment or foreclosure of distressed loans in Farmers Home Administration (FmHA) programs when borrowers meet certain conditions.

2. A reopening of the Economic Emergency (EE) program that helped to relieve a shortage of credit from private lenders in the late 1970s.

Neither proposal survives a thorough examination of the facts.

Deferral should remain a discretionary authority, as under present law. During 1982 this authority has been employed to great effect by the Farmers Home Administration under guidelines laid down by the Secretary of Agriculture. Deferrals of payment have been granted to some 3,500 borrowers and rescheduling of payments has been granted to 12,000 others to assist their continuing operations this year. Foreclosure actions completed through the first 11 months of fiscal year 1982, including many that originated in a prior fiscal year, totaled 776, representing one fourth of 1 percent of farmers indebted to FmHA.

Out of the entire FmHA caseload of some 271,000 farmer borrowers, the number whose accounts were placed in "acceleration" (which denotes a serious condition of financial distress and loan delinquency) totaled 4,663 or 1.7 percent. During the 11 months, 1,861 of these borrowers elected to liquidate their operations as an end to their financial struggles. The voluntary liquidation of 1,800 other FmHA farmer borrowers did not involve any who were under "acceleration."

Of equal or greater significance, overall delinquency in meeting payments on FmHA farm loans was brought down from 58 percent in January 1981 to 25 percent by August. This was due in large part to the farm management measures and credit solutions worked out between borrowers and FmHA county staff people, on a case-by-case basis, under the FMHA system of supervised credit. Incentives for constructive effort under this system would be substantially undermined if an automatic merchanism for a throwing-up-of-hands existed—a resort to deferral rather than to a maximum effort to tighten up a farming operation, reduce the debt, or minimize further buildup of this burden.

The bill would provide for deferral of payments, or foregoing foreclosure, at a borrower's request when it was shown that the borrower conducted a family-size farming operation; employed good management practices, but was a victim of circumstances beyond individual control; and had a reasonable prospect of repaying the

loan after a period of respite during the coming year. These are conditions already observed by the Secretary and the Farmers Home Administration in applying the Secretary's discretionary authority now provided by law for assistance of family farmers.

This year's accomplishments of the Department, the agency, and the Farmers Home Administration borrowers fully justify leaving intact the present system for coping with credit problems of FmHA borrowers. During hearings on the reauthorization of the Farmers Home Administration, the Subcommittee on Agricultural Credit and Rural Electrification heard testimony from five of the leading organizations that represent the farmers of America. All but one of these groups testified that they oppose a policy of manadatory deferrals on Farmers Home loans. The one group that testified in favor of a deferral agreed that the Secretary of Agriculture already has all the authority he needs to defer, reamortize, reschedule, and subordinate loans so that farmers will be able to survive a credit squeeze.

The Agricultural division of the American Bankers Association testified that it believes many individuals who might be able to repay their loans would not repay them, provided the opportunity to defer. Obviously, this would be a grave injustice to those farmers who must borrow from the private sector, who also face a credit squeeze, and who have no opportunity for such a deferral. The ABA testified that, instead, farm loans should be considered on a case-by-case basis, and credit problems should be resolved similarly.

The Farm Credit Administration, which is responsible for the greater part of the private credit extended to farmers, testified that it would never consider offering a blanket deferral on its loans. In fact, the FCA indicated that a deferral of this kind would strip the Farmers Home Administration of the authority that is, in the most severe cases, the only action left to save the farmer from complete financial ruin.

The Farm Bureau Federation testified that a deferral on loans would be unfair not only to those farmers who must borrow from private lenders but also to those Farmers Home borrowers who have the ability and the willingness to repay their loans.

The National Grange opposed a deferral because it believes that the Secretary already has the authority to defer, reamortize, reschedule and forego foreclosure on a case-by-case basis.

Even the National Farmers Union, the only farmers' group to testify in favor of loan deferrals, said the Farmers Home Administration has all the authority it needs to reschedule, reamortize, and defer payment on loans.

The Economic Emergency program, during fiscal years 1979 through 1981, supplied more than $5 billion of supplementary credit to agriculture at a time when the resources of agricultural banks were at subnormal level, and many farmers were cut off from service by their regular lenders or were in need of refinancing excessive loan commitments.

This year, the loan-to-deposit ratio at agricultural banks has materially improved—from an adverse 67 percent in mid-1979 to a more favorable 58 percent in mid-1982. This signifies a substantial resurgence in the availability of loan funds at private banks for

creditworthy farmers. This year FmHA has subordinated its liens on property of more than 28,000 borrowers to facilitate their return to the use of private credit.

In serving family farmers FmHA has had wholly sufficient funds this year for both production and real estate loans, and the same will be true next year under budgets agreed upon by Congress and the Administration. In its proposed extension of the EE program, the bill calls for lowering EE loan limits, which would make this program little more than a duplication of the already sufficient Farm Operating and Farm Ownership programs.

In a broader sense, the mandatory reopening of the EE program would interrupt progress achieved this year in restoring normalcy to agricultural credit. The proposed $600 million of EE lending would adversely impact the budget, increase the government's preemption of money market resources, and work against the greater purpose of overcoming the root cause of inflation.

Credit problems within the sector of family-farm agriculture served by the Farmers Home Administration have been substantially contained during 1982 through effective use of authorities now provided to the Secretary of Agriculture and improvement of resources in the private sector. There is no evidence for concluding that these authorities and resources will not be adequate for dealing with needs that may occur in the year ahead.

There is a better vehicle to provide reassurance to American farmers that the government is serious about helping them through a tight economy and a credit squeeze. That is S. 2314, which reauthorizes the Farmers Home Administration for 3 years. In that bill the Senate Agriculture Committee provides for adequate credit relief for the Agricultural Community. The committee provides an unlimited authorization for emergency disaster loans and increases the authorization to $1.6 billion for farm operating loans.

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